Cyprus Tax Guide 2026

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1. Introduction

Cyprus operates a transparent and competitive tax regime that aims to support economic growth, attract investment, and align with European Union and international tax standards. The Cyprus tax system encompasses a range of direct and indirect taxes applicable to both individuals and corporations.

Individuals who qualify as Cyprus tax residents are generally subject to taxation on their worldwide income, whereas non-residents are taxed on income arising from sources within Cyprus.

For companies, taxation is primarily residence-based: Cyprus companies that are managed, controlled, or registered locally are subject to corporate income tax on profits accrued both inside and outside the country (subject to double tax treaty provisions). Special regimes, incentives, and exemptions further enhance the attractiveness of Cyprus as a base for international business.

This guide provides a structured overview of the principal taxes applicable in Cyprus as of 2026. It is intended as a reference document summarising key statutory provisions and rates. The information presented is based on legislation in force at the date of publication and does not constitute professional advice. Specific circumstances should be assessed independently

2. Overview of the Tax Regime

Cyprus boasts a competitive and transparent tax framework characterized by low statutory rates and generous exemptions compared with many other European jurisdictions. As of 1/1/2026:

- **Corporate tax** is levied at a flat rate of **15 %** on taxable profits of resident companies for profits earned after 1/1/2026 (for profits earned in years up to 31/12/2025 the corporate income tax rate is **12.5 %**), one of the lowest in the European Union.
- **Personal income tax** for individuals follows a **progressive structure** with bands ranging from **0 % up to 35 %** depending on taxable income.
- **Value Added Tax (VAT)** applies to most supplies of goods and services, with a **standard rate of 19 %** and reduced rates available for specific categories.

Personal Income Tax

The personal income tax regime imposes tax on worldwide income for Cyprus tax residents, while non-residents are generally taxed only on Cyprus-sourced income. The current progressive rates are:

Taxable Income (EUR)	Tax Rate
0 – 22,000	0 %
22,001 – 32,000	20 %
32,001 – 42,000	25 %
42,001 – 72,000	30 %
Above 72,000	35 %

Corporate Income Tax

Cyprus companies that are tax resident are subject to corporate income tax at **15%** (for profits earned in years up to 31/12/2025 the corporate income tax rate is **12.5 %**) on their worldwide income. A company is generally treated as tax resident if it is managed, controlled, or registered locally (subject to double tax treaty provisions) Exemptions and incentives apply, for example on certain types of dividend income and other qualifying profits.

VAT and Other Taxes

VAT is charged on the supply of goods and services and the import of goods into Cyprus, with a standard rate of **19 %**, alongside reduced rates for specific goods and services.

Other key taxes include Special Defence Contribution (SDC) on certain types of passive income and Capital Gains Tax (CGT) on gains from the disposal of immovable property

3. Personal Income Tax

A Cyprus tax resident individual is taxed on all taxable income accruing or arising from sources both within and outside Cyprus. On the other hand, a non-Cyprus tax resident individual is taxed only on taxable income accruing or arising within Cyprus.

3.1 Tax Residency of Individuals

An individual is considered a Cyprus tax resident if they spend more than 183 days in Cyprus in the year of assessment.

Effective from 1 January 2017, if an individual does not remain in any other state for a period exceeding 183 days in the year of assessment and is not tax resident in any other state for the same year of assessment (Note 1) then that individual will be considered tax resident in Cyprus if all the below conditions are met:

- The individual remains in Cyprus for at least 60 days in the year of assessment and,
- The individual carries out business in Cyprus or is employed in Cyprus or holds a position to a person tax resident in Cyprus at any time during the year of assessment and,
- The individual maintains a permanent residence in Cyprus either owned or rented.

If the individual ceases to carry out business in Cyprus or be employed in Cyprus or hold a position to a person tax resident in Cyprus, then the individual will not continue to be tax resident in Cyprus for that year of assessment.

For calculating the days of presence in the Republic of Cyprus:

- The day of arrival is considered as a day in the Republic.
- The day of departure is considered as a day out of the Republic.
- The arrival in the Republic and departure from the Republic on the same day is considered as a day in the Republic.

The departure from the Republic and return to the Republic on the same day is considered as a day out of the Republic.

Note 1:

The requirement under the 60-day tax residency rule that an individual must not be tax resident in another jurisdiction has been abolished as of 1/1/2026. As a result, an individual may be regarded as tax resident in two jurisdictions simultaneously.

3.2 Obligation to file an income tax return

Obligation to file an annual tax return for income earned after 1/1/2026 have the following individuals –

- Anyone with gross income earned in Cyprus per the provisions of Article 5 of the Cyprus income Tax law (i.e., gross income includes salary, dividends, interest, rental income, IP rights, etc.)
- Any Cyprus tax resident aged between 25 and 71 years (meaning 25 years old and not yet having reached the 71st birthday), regardless of the level of gross income (a tax return must be submitted even if gross income is zero)
- Tax returns are not required to be filed by individuals with zero income who are under 25 years old or who are aged 71 years and over

3.3 Income Tax Rates

Taxable income	Tax rate	Tax	Cumulative tax
Euro €	*%*	*Euro €*	*Euro €*
First 22.000	0	0	0
From 22.001 to 32.000	20	2.000	2.000
From 32.001 to 42.000	25	2.500	4.500
From 42.001 to 72.000	30	9.000	13.500
Over 72.000	35		

3.4 Exemptions

Type of Income	Exemption
Interest income (other than interest arising in the ordinary course of business)	100%
Dividend income	100%
Remuneration for first employment exercised in Cyprus commencing after 26 July 2022, up to and including the year of 2027 (subject to applicable conditions)	20% of remuneration or €8,550 (whichever is lower)
Remuneration for first employment exercised in Cyprus commencing from 1 January 2022 with remuneration exceeding €55,000 (subject to applicable conditions)	50% of remuneration

Type of Income	Exemption
Remuneration from salaried services outside the Republic for more than 90 days in a tax year to a non-resident employer or a permanent establishment outside the Republic of a resident employer	100%
Profits arising from the sale of Securities (note 1)	100%
Profits of a permanent establishment outside the Republic (certain conditions apply)	100%
Profits arising from a qualifying loan restructuring (certain conditions apply)	up to 100%
Lump sum received as retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or injury up to a cumulative amount of €200.000. An amount above this threshold taxed at a flat 20% rate	100%
Lump sum received from repayment of life insurance or approved provident funds	100%
Foreign exchange (FX) gains, other than gains arising from trading in foreign currencies and related derivatives	100%
Capital gain arising from the disposal of intellectual property rights under the IP regime	100%
Retirement payments made to Cyprus Tax Residents for services provided overseas up to €5.000 annually (Note 2)	100%
Rent from a preserved building (certain conditions apply)	100%

Notes:

1. *The term "Securities" includes shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. As per a circular issued by the Tax Authorities, the term also includes among others, options on Securities, short positions on Securities, futures/ forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes.*

2. *Payments more than €5.000 are taxed at a flat rate of 5%*

3.5 Deductions

Type	Deduction
Contributions to Social insurance, to approved provident and pension funds, to the General Healthcare System, to medical funds and life insurance premiums	Restricted to 1/5 of the net taxable income before these allowances
Subscriptions to professional bodies and trade unions	100%
Donations to approved charitable organisations	100%
Rental income on buildings	20%
Interest relating to the acquisition of assets used in a business or to the acquisition of a building for rental purposes	100%
Expenditure for scientific research and for Research & Development (Note 1)	100%
Expenditure on film infrastructure and technological equipment (certain conditions apply)	Up to 20%
Expenditure for the maintenance of buildings under preservation order (certain conditions apply)	Depends on the size of the building
Donations to political parties (certain conditions apply)	Up to €50,000
Investment in an innovative small-medium enterprises (SMEs) (Note 2 - certain conditions apply)	Up to 50% of taxable income (capped at €150,000)
Housing insurance expenses covering natural disasters	€500 per spouse
Additional deductions available only to Cyprus Tax Residents subject to gross family income criteria/ thresholds (Note 3)	

Notes:

1. *For expenses incurred during the years 2022, 2023 and 2024 (including expenses of a capital nature) for which a deduction is granted in accordance with Section 9(1)(l), an additional tax deduction is granted for research & development expenses, equal to 20% of the relevant expenses. This additional deduction cannot be claimed alongside the deduction provided under the Cyprus IP regime.*
2. *The allowable deduction for an individual investing in innovative small-medium sized enterprises (SMEs) is available up to 31 December 2026. It is limited to 50% of the investor's taxable income in the year in which the investment is made and the total deductible amount may not exceed €150,000 per year. The remaining investment cost, which is not claimed as tax deductible, may be carried forward and deducted from the taxable income of the subsequent five years, subject to certain restrictions. The investment must be made for at least three (3) years.*
3. *Additional deductions available only to Cyprus Tax Residents subject to gross family income criteria/ thresholds:*
   (a) Criteria / thresholds are based on gross family income which must not exceed:
   - *i. €100.000, for families without children, or with 1 or 2 children*
   - *ii. €150.000, for families with 3 or 4 children*
   - *iii. €200.000, for families with 5 or more children*

   (b) Tax deductions for each spouse:
   - *i. Dependent Children - €1.000 for the 1st child, €1.250 for the 2nd child, €1.500 for the 3rd child, and any child thereafter (Dependent children – based on specified criteria up to the age of 24)*
   - *ii. Family's primary residence - rental expense or interest on a performing loan for its acquisition – Up to €2.000*
   - *iii. Energy efficient upgrade of the family's primary residence, or for the purchase of an electric car – Up to €1.000 (If actual expense is higher than the allowance, any excess can be carried forward and be set off with the respective annual allowance for the next 4 years – provided the prescribed gross family income thresholds continue to be met)*
   - *iv. Deductions are double the amounts mentioned above to single parent families with dependent children*

3.5 Other

1. Provisions were introduced to tax benefits arising from stock options schemes given to employees/ managers of a company at a flat rate of 8%, subject to the following limits and specified criteria –
    a. Vesting period of the stock options cannot be less than 3 years from the date the scheme was approved by the Tax Commissioner
    b. Exercise price of the stock option cannot be less than 50% of the price (market value) of the stock on the date the scheme was approved by the Tax Commissioner
    c. The resulting benefit to the employee/ manager cannot be higher than double his/her salary at the end of the vesting period
    d. Maximum benefit cannot exceed a cumulative total €1.000.000 over a 10-year rolling period.
    e. Any excess over the limits noted in (c) and (d) above are taxed at the standard applicable tax rates

2. Net gains from crypto asset sales within the same tax year will be subject to an 8% flat tax rate. Any losses from crypto asset disposals can only be set off during the current year with respective crypto gains. The 8% rate not applicable to gains arising from crypto asset mining.

4. Corporate Income Tax

A Cyprus tax resident company is taxed on all taxable income accruing or arising from sources both within and outside Cyprus. A non-Cyprus tax resident company is taxed only on taxable income accruing or arising from sources within Cyprus.

4.1 Tax Residency of Companies

A company is, considered to be, tax resident in Cyprus if it is managed and controlled from Cyprus.

Effective 1 January 2023, a company incorporated or registered in the Republic of Cyprus but is managed and controlled from outside the Republic of Cyprus, will by default be considered a tax resident of Cyprus provided it is not tax resident in any other jurisdiction.

Effective 1 January 2026, a company incorporated or registered in the Republic of Cyprus, will by default be considered a tax resident of Cyprus (subject to double tax treaty provisions).

4.2 Permanent Establishment

Under the Cyprus Income Tax Law, and the respective OECD guidelines, the term "permanent establishment" refers to a fixed place of business through which the business of an enterprise is wholly or partly carried on.

A fixed place of business means a distinct physical location at the disposal of the enterprise, with a certain degree of permanence (not merely transient), where the enterprise conducts business activities, either wholly or in part.

The following types of presence are generally regarded as constituting a PE under the Cyprus Income Tax Law (consistent with OECD practice):

- A place of management or executive office
- A branch office
- A sales or administrative office
- A factory, workshop, or similar production facility
- A mine, oil/gas well, quarry or other extraction site
- Construction or installation sites, but only if they last beyond a statutory period

The following are generally excluded from PE per the Cyprus Income Tax Law:

- Facilities used solely for storage, display, or delivery of goods
- Maintaining a stock of goods solely for storage or delivery
- A location used purely for purchasing goods or collecting information
- Premises that are used only for preparatory or auxiliary activities (assuming no substantial business activity takes place there).

4.3 Corporate Income Tax Rates

Cyprus companies that are tax resident are subject to corporate income tax on their worldwide income at a rate of **15%** for profits earned after 1/1/2026 (for profits earned in the years up to 31/12/2025 the corporate income tax rate is **12.5 %**).

4.4 Exemptions

Type of income	Exemption
Dividend income (certain conditions apply)	100%
Profit arising from the sale of Securities (Note 1)	100%
Profits of a permanent establishment outside the Republic (certain conditions apply – profits of PEs in non-cooperating jurisdictions are not exempt)	100%
Foreign exchange (FX) gains other than gains arising from trading in foreign currencies and related derivatives (Note 2)	100%
Rent from a preserved building (certain conditions apply)	100%
Capital gained from the disposal of intellectual property rights under the IP regime (read on Tax Incentives)	100%
Profits arising from qualifying loan restructuring (certain conditions apply)	up to 100%

Income of a company which operates in the Republic in the audio-visual industry (Note 3)	up to 50%

Notes:

1. *The term "Securities" includes shares, bonds, debentures, participation or share in an open or closed ended collective investment scheme, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. As per a Circular issued by the competent Tax Authorities, the term further includes amongst others, options on Securities, short positions on Securities, futures/ forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes.*

2. *Companies trading in FX have an option to make an irrevocable choice to be subject to tax only on realized FX differences.*

3. *Profits of a company arising from the production of films, series, and other audiovisual programs in Cyprus are exempt from CIT. The exemption shall not exceed 35% of the eligible production expenditure incurred in Cyprus. The amount of audiovisual tax exemption, subject to certain criteria and conditions, shall not exceed 50% of the company's taxable income relating to the production. The audiovisual tax exemption not granted due to the above percentage limitation can be carried forward within the next five (5) years.*

4.5 Deductions

In general, all expenses incurred entirely and exclusively to produce income are deductible from taxable income. Expenses should be supported by appropriate documentation in accordance with the applicable governing regulations. Deductible expenses include the following:

Type of expense	Tax deduction
Interest incurred in the acquisition of property, plant and equipment used for the business	100%
Employer's salary contributions to approved funds	100%
Donations to approved charities (with receipts)	100%
Eligible infrastructure and technological equipment expenditure in the audiovisual industry	20% for small-sized enterprises 10% for medium-sized enterprises
Notional Interest Deduction (NID) on new equity introduced (Note 1)	up to 80% of taxable income
Royalty income and profits on the exploitation of Intellectual Property (IP) rights (Note 2)	80% on net profits – modified nexus fraction
Losses of the current and previous seven (7) years (only with audited financial statements)	100%
Entertainment expenses for business purposes	1% of gross income or €30.000 (whichever is lower)
Expenditure for the maintenance of buildings under preservation order (certain conditions apply)	Depends on the size of the building

Donations to political parties (certain conditions apply)	Up to €50,000
Expenditure for scientific research, and for Research & Development (Note 3)	100%
Investment in an innovative small/medium sized business (Note 4 - certain conditions apply)	Up to 30% of the amount invested (capped at €150,000)
Expenses incurred for the registration of a company in a recognized stock exchange (Note 5)	Up to €300,000

The following types of expenses are not tax deductible:

- Expenses not incurred wholly and exclusively for the generation of taxable income
- Expenditure not supported by appropriate documentation
- Expenses of a private motor vehicle
- Interest relating to the acquisition of a private motor vehicle (this provision does not apply after the lapse of seven (7) years from the date of purchase of the relevant asset).

Notes:

1. *The NID is calculated by multiplying the new equity by the reference rate. The tax deduction cannot exceed 80% of the company's taxable profits that were generated from the new equity.*

2. *In line with the latest international developments and the OECD action plan on BEPS, the Income Tax Law has been amended on 14 October 2016. The new IP regime introduces the idea of qualifying profits eligible for the 80% tax exemption which are calculated based on the "nexus approach" and relate to IP eligible for the new regime (Qualifying Assets). Capital gains from disposal of Qualifying Assets are exempt from income tax. Qualifying Assets include, amongst others, patents, copyrighted software programs and other intangible assets but exclude trademarks and other copyrights. The "nexus approach" is based on the fraction of R&D expenditure incurred in Cyprus vs total R&D expenditure to develop the qualifying assets.*

3. *For expenses incurred during the years up to the year 2030 (including expenses of capital nature) for which a deduction is granted in accordance with Section 9(1)(l), an additional tax deduction is granted for research & development expenses, equal to 20% of the relevant expenses. This additional deduction cannot be claimed alongside the deduction provided under the Cyprus IP regime.*

4. *The tax allowable deduction for a company investing in non-related innovative small-medium sized enterprises (SMEs) is available up to 31 December 2026. It is limited to 30% of the invested amount and the total deductible amount may not exceed €150,000 per year. Any unutilized deduction may be carried forward and be claimed in the following five (5) years. The investment can be made either directly, or through an investment fund or an alternative trading platform and only from own capital. The eligible shares must be ordinary shares and be held by the investor for at least three (3) years.*

5. *Any remaining unutilized expenses may be deducted in the following 2 years (i.e., maximum annual allowance €300.000, for a total over 3 years of €900.000)*

4.6 Annual Wear & Tear Allowances

ASSETS	ALLOWANCE %
Plant & Machinery	
Plant and machinery	10%
Machinery and equipment used in the agriculture and farming sectors (excluding machinery & equipment used for irrigation)	25%
Industrial carpets	10%
Furniture and fittings	10%
Buildings	
Industrial, agricultural and hotel buildings	4%
Commercial buildings	3%
Capital expenses incurred up to year 2030 for the upgrading of the energy efficiency of buildings	7%
Metallic frame of greenhouses	10%
Wooden frame of greenhouses	33 ⅓ %
Vehicles & Means of Transportation	
Commercial motor vehicles and motorcycles	20%
Forklifts, excavators, loading vehicles, bulldozers and oil barrels	25%
Armored vehicles (used in security services)	20%
Specialized machinery for the laying of railroads (e.g., Locomotive engines, ballast wagon, container wagon and container sleeper wagon)	20%
New airplanes	8%
New helicopters	8%
New commercial vessels	8%
New passenger vessels	6%
Motor yachts	6%
Sailing vessels	4,5%
Steamships, tugboats and fishing boats	6%
Ship launching machinery	12,5%
Used commercial and passenger ships and capital additions	Over their useful lives
Tools	
Tools in general	33 ⅓ %

ASSETS	ALLOWANCE %
Other Assets	
Computer hardware and operating systems	20%
Application software (cost of less than €1.709 can be written off in the year of acquisition)	33 ⅓ %
TV and video recorders	10%
Wind power generators	10%
Photovoltaic systems	10%

5. Special Defense Contribution (SDC)

The Special Defense Contribution (SDC) in Cyprus is a withholding tax levied mainly on passive income (dividends, and interest) earned by Cyprus tax-resident and domiciled individuals and tax resident companies, subject to specific exemptions and conditions. For profits generated after 1/1/2026, SDC on dividends has been reduced from 17% to **5%.**

5.1 Tax rates per source of income

Source of Income	Tax Rates
Dividends received by individuals (Note 2)	5% - 17%
Dividends received by companies (Note 1)	0% to 17%
Interest earned by religious, charitable, educational and other similar institutions that are exempt from CIT	17%
Interest received by an individual from Cyprus or other EU member states government saving certificates or bonds, and certain listed securities	3%
Interest received by an individual	17%
Interest earned by the Social Insurance Fund	3%
Interest earned by an approved Provident Fund	3%

Note 1:

Dividends received by a company resident in Cyprus from another Cyprus company in general are exempt from taxes (subject to specific exceptions noted below).

Dividends received directly or indirectly from dividends on which defense contribution has already been paid are exempt from SDC.

Dividends received by a company resident on Cyprus or a foreign company maintaining a permanent establishment in Cyprus from abroad are exempt from SDC unless:

a) *more than 50% of the paying company's activities result directly or indirectly in investment income (non-trading income); and*
b) *the foreign tax burden of the dividend paying company is significantly lower than the tax burden in Cyprus (i.e., an effective tax rate of less than 7.50% which is less than 50% of the Cyprus Corporate Income Tax (CIT) of 15% as of 1/1/2026).*

SDC at 17% on Dividends

- *On dividends received indirectly from a company that is tax resident in Cyprus, issued from profits generated up to year 2023, and paid 4 years after the end of the respective tax year they were generated, provided they are paid up to 31/12/2031.*
- *On dividends received in year 2026 from profits earned in 2024. SDC payable by 31/12/2028.*
- *On dividends received in years 2026 and 2027 from profits earned in 2025. SDC payable by 31/12/2029.*
- *Upon dissolution of a company on the profits of the last 5 years (for profits earned up to 31/12/2025). Not applicable if company assets are not sufficient to pay the creditors of the company.*
- *Dividends paid to related companies in non-cooperating jurisdictions (SDC withheld).*
- *All above are subject to UBO's non-domiciled provisions.*

SDC at 5% on Dividends

- *Dividends paid to related companies in a low-income tax rate jurisdiction (Low-income tax rate meaning income tax rate lower than 50% of the CIT rate in Cyprus, i.e., lower than 7.5%).*
- *Dividends received by a Cyprus resident company from a non-Cyprus resident company, if the paying company is resident in a low-income tax rate jurisdiction, AND more than 50% of its revenues are derived from investing activities.*

Note 2:

For profits generated after 1/1/2026, SDC is calculated at 5% on dividends received.

Any actual dividends paid from profits earned up to 31/12/2025 are taxed at 17% SDC, if paid up to 31/12/2031.

SDC at 10% is imposed on disguised dividend distributions received by Cyprus tax resident shareholders or related persons (subject to the non-domicile rules). Disguised dividends arise where a shareholder makes private use of a company asset. In such cases, SDC is calculated at 10% on the asset market value, apportioned based on the percentage of private use by the shareholder. If the asset is not connected to the company's business activities, it is presumed to be used 100% for private purposes. No refund of SDC paid in prior years is available where the percentage of private use subsequently decreases or ceases. SDC at 10% also applies where an asset is transferred or sold to a shareholder at a price below market value; in this case, SDC is imposed on the difference between the asset's market value and the consideration paid by the shareholder.

SDC is applicable if an individual is both a Cypriot tax resident and Cyprus-domiciled. An individual is considered Cyprus domiciled if they have a domicile of origin in Cyprus or have been a Cypriot tax resident for at least the 17 years out of the last 20 years from the year of assessment. Non-domiciled individuals are exempt from SDC. As of 12/1/2026, non-domiciled individuals have the option to extend their non-domiciled status by an additional two 5-year periods, paying a lump sum for each period of €250.000 upfront.

5.2 Deemed dividend distribution

Deemed Dividend Distribution (DDD) rules have been abolished for dividends issued from profits generated after 1/1/2026.

5.3 SDC applicable on company dissolution

Aggregate profits for the last five (5) years prior to a company's dissolution, that have not been distributed or deemed to be distributed, shall be considered as distributed on dissolution and shall be subject to SDC.

Companies under a voluntary dissolution or liquidation are obliged to submit within one (1) month from the date of the approval of the relevant resolution, a deemed dividend declaration and pay any SDC relating to the profits of the specific tax year and the two (2) preceding years.

The above provisions are not applicable for dissolution under reorganization, in accordance with certain prerequisites set out in the relevant regulations, or where the shareholders are not resident or non-domiciled in the Republic of Cyprus.

6. Capital Gains Tax

Capital Gains Tax (CGT) at a rate of 20% is imposed on the profit generated from the disposal of properties which are not taxable under the respective income tax rules.

6.1 Taxable Disposals

Any sale of the below assets which are not taxable under income tax, the CGT is imposed on the flat rate of 20%:

- Gains on the disposal of immovable property located in the Republic of Cyprus
- Gains on the disposal of shares in companies owning immovable property in the Republic, excluding companies which are listed in recognized stock exchanges.
- Gains on the disposal of shares of companies owning shares in companies where at least 20% of their market value derives from the ownership, directly or indirectly, of immovable property located in the Republic of Cyprus (20% threshold subject to any applicable existing double tax treaty provisions).

Upon calculating the Capital Gains Tax, various deductions apply on the sale proceeds:

- The market value as of 1 January 1980, or cost of acquisition if occurred after 1 January 1980, adjusting for inflation.
- The cost of any additions on the property after 01 January 1980, adjusting for inflation.
- Any expenditure incurred wholly and exclusively for the generation of the gain, including interest expense, transfer fees and commissions.

6.2 Exemptions

The following are exempted from CGT:

- Immovable property passed on or transferred on death.
- Gifts between relatives of up to 3rd degree, as well as any gift between foster parent and foster child.
- Gift to a company owned by the donor's family that continue to be owned for a period of up to five years from the date of the gift.
- Gift by a family company to its shareholders provided the property was originally acquired by the company in the form of donation. If the property is disposed within 3 years, then the shareholder will not be entitled to the allowances.
- Gift of the property to a charity, the Government or any political party.
- Expropriations.
- Exchange or disposal of property under the Agricultural Land (Consolidations) Law.
- Exchange of properties provided the gain from such an exchange is used to acquire the new property. The resulting gain from such an exchange reduces the cost of the acquired property, thus deferring tax on such gain to a subsequent disposal of the new property.
- "Antiparochi" (exchange of a land plot with units/ plots on the resulting development between landowner and developer) is exempt from CGT (i.e., CGT is deferred to a future sale of the unit/plot), if
    - In the case of an exchange of a land plot for units in a building to be erected on the said land plot – The building is completed within a 5-year period from the signing of the relevant agreement
    - In the case of an exchange of a land plot for number of subdivided plots on the said land plot – The subdivided land plots title deeds are issued within a 5-year period from the signing of the relevant agreement.
- Transfer of ownership or share transfers in the event of company reorganizations
- No CGT on sale of shares listed in a regulated market of a recognized stock exchange or sale of shares listed in an unregulated market of a recognized stock exchange, if those shares were held as of 31/12/2025
- No CGT on sale of shares listed in an unregulated market of a recognized stock exchange up to the amount of €50.000. Any sales of more than €50.000 during the taxable year are subject to CGT.
- Transfer of property of a missing person under administration.
- Transfer of ownership between spouses that their marriage has been dissolved by a court order or in case of transfer of ownership between the same persons for the purpose of settling their property according to the Settlement of Property Relationships between Spouses Law.
- Transfer under a qualifying loan Restructuring (certain conditions apply).

6.3 Lifetime allowances for individuals

The following lifetime allowances for individuals on recognized gain from the disposal of properties are exempt from CGT-

Description	Allowance (Euro €)
Disposal of principal private residence (certain conditions apply)	150.000
Disposal of agricultural land by a farmer	50.000
Other disposals	30.000

7. Value Added Tax (VAT)

In the Republic of Cyprus, Value Added Tax (VAT) is the equivalent of a direct sales tax imposed on all taxable goods and services provided within Cyprus, as well as intra-community acquisition of goods or provision of services from other European Union (EU) member states, and importation of goods from third countries. The Value Added Tax (VAT) Law of 2000 (L.95(I)/2000), as amended, incorporates, with certain exceptions, the respective EU Directives for VAT.

VAT is applied at every stage of the production cycle of goods and the provision of services.

“Output VAT” is the VAT charged by taxable persons on their supply of goods and provision of services, while “Input VAT” is the VAT charged to taxable persons for goods and services received. The difference between the two VAT amounts is either paid to the VAT authorities (Output VAT > Input VAT) or credited to the taxable persons (Output VAT < Input VAT). A VAT credit is carried forward to be set off against future VAT obligations. In certain cases, credited VAT is refunded to the taxable person.

7.1 VAT Rates

- Zero percent rate (0%)
- Reduced rate of three percent (3%)
- Reduced rate of five percent (5%)
- Reduced rate of nine percent (9%)
- Standard rate of nineteen percent (19%)

Zero percent (0%) rate is mainly applied to the following:

- Services related to the import of goods in Cyprus from third countries when their value is included in the total taxable value of the imported goods.
- Services related to works carried out on movable goods that are temporarily imported in an EU Member State for the provision of the said services and are subsequently exported to a third country.
- Supplies, modifications, repairs, maintenance works, chartering and leasing of ships which are either used in open sea navigation for the transport of fare paying passengers, or which are used to carry out commercial, industrial, fishing or salvage activities.
- Supplies, modifications, repairs, maintenance works, chartering and leasing of aircraft operated by airline companies carrying fare paying passengers on international routes.
- Services related to either the direct needs of ships and aircraft covered in the preceding two bullet points, or to their passengers (if the services provided are under the direct agreement between the supplier and the ship / aircraft company). Services to the above-mentioned vessels for storing and/or servicing their cargo is also included in this VAT rate category.
- Transport of goods from an EU Member State to a third country.
- Supply of gold to the Central Bank of Cyprus.
- Supplies to non-profit organizations, which are subsequently exported to third countries for the organizations' humanitarian and educational activities in the third countries.
- Braille typewriters, special electronic typewriters, wheelchair buggies and other vehicles for disabled persons

Zero percent (0%) rate temporary applied up to 31 December 2026 to the following:

- Baby milk, baby and adult diapers, feminine hygienic products; and
- Certain foodstuff (certain fruits and vegetables).

Three percent (3%) reduced rate is mainly applied to the following:

- Books, newspapers and periodicals (including electronic formats)
- Audiobooks for disabled persons
- Specialized lifting devices (stairs, elevators, and so forth), wheelchairs, and other vehicles for disabled persons
- Orthopedic products and devices such as splint support, prosthetic implants
- Hearing aids for the deaf
- Services related to road cleaning, garbage collection and processing, excluding such services provided by municipalities and Government departments
- Disposal and treatment of wastewater and discharge of septic and industrial tanks
- Right of entry to the first performance of theatre, music and dance plays, or classical plays.

Five percent (5%) reduced rate is mainly applied to the following:

- Supplies of pesticides used for agricultural activities and certain types of fertilizers per EU Directives
- Supply of animal foodstuff
- Supply of water
- Supply of car seats for children aged up to 12 years old
- Supply of food and drinks, excluding alcoholic beverages and carbonated soft drinks, excluding the items whose VAT was temporarily reduced to zero
- Importation of objects of archaeological value
- Supply of LPG in cylinders
- Supply of pharmaceuticals and vaccines that are used for medical care and for the prevention of illnesses
- Supply of art objects by galleries or directly by artist such as paintings, sculptures, and so forth
- Repairs of medical equipment
- Services by artists, writers, composers, and the intellectual rights on their product
- Transportation by city and rural buses
- Entrance fees to shows, museums, amusement parks, movies, concerts, and so forth
- Entrance fees to sporting events as well as rights of use of sporting venues
- Repairs and maintenance on private houses carried out at least three (3) years from first residence (see VAT on immovable property
- School canteen food-related activities
- Acquisition or construction of private homes under certain circumstances (see VAT on immovable property).

Nine percent (9%) reduced rate is mainly applied to the following:

- Transportation of passengers and their luggage by taxis, tourist buses or intercity buses
- Services and supply of goods by nursing homes, which are not exempt transactions
- Restaurant services provided in a restaurant as well as catering services, including alcoholic beverages and soft drinks (delivery services of food are excluded from the aforesaid services)
- Domestic transportation by sea of passengers and their accompanying luggage
- Hotel accommodation services include all-inclusive services.

Nineteen percent (19%) standard rate:

The standard rate applies to the supply of all goods and services in Cyprus which are not subject to zero percent (0%) rate, reduced rates, or are not exempt.

As of October 2020, taxable persons who purchase the following goods for business purposes must account for VAT in Cyprus based on the reverse charge provisions as per VAT Law of 2000 (L.95(I)/2000), as amended:

- Mobile phones.
- Integrated circuit mechanisms, such as microprocessors and central processing units, prior to their integration into end-user products; and

- Game consoles, computer tablets and laptops.

The supplier must therefore not charge the customer VAT on their invoice, while also including the VAT number of the customer on the invoice.

Supplies/ services exempted from VAT:

Exemptions from VAT mainly include the following:

- Postal services provided by the Cyprus' national post authority
- Hospital and medical care services, including services provided by dentists, chiropractors, physiotherapists, psychologists, and so forth
- Supply of human organs, blood, and human milk
- Services supply by dental technicians
- Supplies and services directly related to social welfare, including homes for the elderly that are provided by non-profit organisations
- Supplies and services directly related to child and youth protection that are provided by non-profit organisations
- Education services, including professional training provided by public and approved private schools, including certain private lessons by educators
- Supplies and provision of services by non-profit cultural, religious, sports and other related organisations
- Insurance and counter insurance and their related services
- Most financial and banking services
- Lottery tickets, betting on football games and racehorses, and other approved gambling games
- Import of gold by the Central Bank of Cyprus
- Supplies of second-hand buildings and leasing of buildings used as a private residence (see VAT on immovable property)

The significant difference between exempt and zero percent (0%) rate supplies is that businesses or individuals that make exempt supplies are not entitled to recover Input VAT paid on their costs and expenses. If a company makes both exempt and vatable supplies (under any other rate), the company can recover the VAT on a pro-rata basis based on a ratio of the respective revenue earned from the vatable supplies to its total revenue.

Reverse change for goods and services acquired from abroad

Reverse VAT charge (per the applicable rate) should be calculated by a person situated in Cyprus for goods and services received from abroad provided that the recipient is a Cypriot Tax resident and the place of supply is Cyprus.

Goods and services where a reverse charge need to be applied include the following:

- Supply of gas or electricity
- Supply of construction related services or services with goods
- Supply of scrap metal
- Transfer of a building, along with its respective land, before its first use under a loan restructuring or forced sale process

- Supply of mobile phones, microprocessors and CPU's (before they are incorporated into end-user products), game consoles, tablets, and portable computers
- Supply of certain unprocessed and semi-processed precious metals
- Supply of intra community goods from another EU member state supplier to a Cypriot tax resident.

7.2 VAT on immovable property

VAT at the standard rate of 19% is applied on the following types of immovable property transactions:

- Supply or transfer of buildings or parts of buildings, including the land on which they have been erected, before they are used for the first time. This provision includes all types of buildings (residential, industrial and commercial).
- As of 11 November 2022, the supply of a building within a 5-year period from construction completion (fit for use), provided no actual use on a systematic basis by an unrelated party for a period of at least 24 months, is also subject to VAT.
- As of 2 January 2018, supply or transfer of undeveloped buildable land from a person or business while carrying out an economic activity. Land in agricultural, archaeological, and environment protection areas is not included in the vatable land.
    - "Undeveloped buildable land" includes all land plots under development, with or without title, and land plots intended to be developed in the future.
    - "Economic activity" is determined based on the frequency and continuation of the activity as well as on other measurable parameters. Once off supply of a plot of land with no indication of subsequent continuation of the said activity is not considered to be an economic activity for VAT purposes.
    - VAT is not applicable to undeveloped buildable land, which was either transferred before 2 January 2018 or for which a sales agreement was deposited at the Land Registry Department before 2 January 2018.
- As of 13 November 2017, leasing of immovable property to a lessee who is subject to VAT and intends to use the leased property for carrying out their vatable activities.
    - The owner of the property (lessor) can opt to be exempted from the obligation to charge VAT on the lease of the property by informing the Tax Commissioner accordingly. The option to be exempted from VAT is irrevocable, except when the property is transferred to a new owner, in which case the new owner has the option to either charge VAT on the lease amount or opt to be exempted from VAT.
    - VAT is chargeable on new leases or renewed lease agreements with significant changes from the previous agreements signed on or after 13 November 2017.
    - The lease is considered subject to VAT if at least 90% of the lessee's turnover is subject to VAT.
    - The owner of the property may claim a VAT refund on all VAT expenses related to the leased property that have occurred on or after 13 November 2017, including construction costs, repairs, maintenance, and so forth.
    - For properties that have been constructed before 13 November 2017, and for which a new lease agreement has been signed on or after 13 November 2017, provided that construction occurred less than ten (10) years from 13 November 2017, the owner may claim VAT paid on construction costs pro-rata for the remaining years of the 10-year period after 13 November 2017. For example, if a property's construction was completed in 2012, VAT on construction costs can be claimed for the remaining five (5) years (2018-2022 – 5/10 of total VAT paid on construction costs).

    - Leasing residential properties is exempt from VAT.
    - As of 1 January 2019, the long-term leasing of immovable property which transferred the right of disposal of the property from the owner to the lessee is subject to the standard rate of 19% or 5% if applicable. The said applies in cases where the immovable property is new. The effective transfer of the right to dispose of immovable property is further described by the Tax Authorities and does not include only the people who are covered by the principal of free ownership but also circumstances where the person has similar rights to free ownership rights.

- Transfer of property as part of the restructuring of a loan or a forced sale, in which case the recipient of the property must account for VAT using the reverse charge method and pay the resulting VAT to the respective VAT Authority.

It is to be noted that the rental of property not intended for vatable activities is exempt from the 19% VAT rate.

VAT at the reduced rate of 5% is applied on the following types of immovable property transactions:

- Construction or sale of immovable property before its first use to an eligible individual intending to use it as a principal and permanent residence in Cyprus for the next ten (10) years.
    - Application with several different supporting documents must be filed with the Tax Commissioner who issues the relevant certificate approving the application of the reduced VAT rate.
    - Reduced VAT rate is applicable on the first 130 square meters of the buildable area of the property up to a value of €350,000, provided that the total buildable area of the property does not exceed a maximum of 190 square meters, and the value of the property does not exceed a maximum of €475,000. Any property exceeding either the maximum buildable area and/or the maximum value as stipulated above, will be charged VAT at the standard rate of 19% on the total value of the property. Individuals with disabilities can apply for the reduced Vat on the first 190 square meters of the buildable area, irrespective of the total buildable area of the property. Additionally, for large families, the above threshold of 130 square meters is increased by 15 square meters for each additional child after the third child (e.g., a family with 5 children will be entitled to a reduced VAT on the first 150 square meters).
    - The right to request application of the reduced rate on a new property acquisition can be used again once the 10-year permanent residency period has elapsed.
    - A person has the right to apply for reduced VAT on a new property before the 10-year period has elapsed, provided he/she has ceased to use as permanent residence the existing property, and he/she pays the difference between the standard VAT and the reduced VAT applicable at the time of the acquisition of the previous property prorated to the remaining period up to the completion of the 10 year period (i.e., if the property was used as a primary residence for 6 years, and then disposed of in order to acquire a new primary property, a payment of Vat of 19%-5% is due on 4/10 of the initial primary residence's value). The same is applicable if a person ceases to use a property as their primary and permanent residence before the 10-year period has elapsed.
- Transitional provisions for reduced VAT on first residence
    - Urban planning permission obtained or complete application for such permission submitted by 31 October 2023.

  - Reduced VAT of 5% applicable pro-rata on first 200 square meters of buildable area irrespective of size and value of the property.
  - Application for the reduced VAT is submitted to the tax authorities by 16 June 2026.
- Building works, repairs, and maintenance of private residences carried out by plumbers, carpenters, electricians, painters, and contractors. If the value of materials supplied is higher than 50% of the total value of the works performed, the supply of materials is charged at the standard VAT rate of 19%.

7.3 VAT obligations of taxable persons

VAT Registration

A business is obligated to register to the VAT Register at the Tax Department if any one of the following is applicable:

- In the previous twelve (12) months, ending with the current month, it had total turnover subject to VAT higher than €15,600.
- At any point in time, it's forecasted turnover subject to VAT for the next thirty (30) days is expected to be higher than €15,600.
- It acquires goods from other EU Member States whose value within a calendar year is higher than €10,251.61.
- At any point in time, if it forecasts that the value of goods acquired from other EU Member States is higher than €10,251.61.
- It provides services subject to VAT of any value to a business registered for VAT in another EU Member State.
- Distance supplies from another EU Member State to Cyprus-based consumers (B2C) whose value within a calendar year is greater than €10,000 if they do not choose to use the simplified One Stop Shop scheme.

Any business below the above-mentioned thresholds can voluntarily register with the VAT Register.

Taxable Person

Tax chargeable on any supply of goods or provision of services is a liability of the person making the supply or providing the service.

A "taxable person" is every person, private individual or legal, resident in the Republic of Cyprus or abroad, who carries on a business and has registered as such in the VAT Register or is liable to be registered in accordance with the provisions of the VAT legislation.

The term "business" has a very broad definition and means any economic activity carried out in an independent way regardless of the purpose or results of such activity. The term "business" includes any trade, profession or vocation.

Employees or other natural people who are bound to any employer by a contract of employment or by another legal relation, which gives rise to an employer-employee relationship, are not considered to be carrying out an economic activity and therefore, they are not considered to be taxable people.

In addition, the VAT legislation provides that Governmental Authorities, Local Authorities and Public Authorities are not deemed to be taxable people for the supplies of goods or services made by them in carrying out their mission. There are, however, certain supplies explicitly defined in the legislation for which the authorities are considered taxable people.

The supply of goods or the provision of services made by a person who is not considered to be a taxable person, are not VAT chargeable. On the other hand, when this person buys goods or services, he is charged with VAT as if he were the final consumer.

VAT Returns, Payments & Refunds

VAT returns are submitted electronically (as of May 2017) either quarterly, which is the norm, or for a different period which was either requested by the registered business or required by the Commissioner of Taxation. VAT returns must be submitted via the Tax for All (TFA) platform.

Payment of any VAT due must be made by the (tenth) 10th day of the second month following the end of the respective VAT period (i.e., for a VAT period ending 31/03/2026, VAT due must be paid by 10/05/2026 at the latest).

Payment of the VAT due may be made at the cashier's desk of any commercial bank, via direct bank transfer to the Central Bank of Cyprus as well as via the ''Internet Banking'' platform of selected banking institution.

VAT refund claims must be submitted electronically via the TFA platform.

The registered business requesting a VAT refund is entitled to interest if the VAT authorities delay paying the refund for more than four (4) months from the submission date. Note that the four (4) months period is extended to eight (8) months if the Tax Commissioner has decided to investigate the submitted claim through an audit of the registered business.

VAT refunds are made via bank transfer – to obtain the refund, the entity should complete and submit the Form T.D. 2008 to the relevant District VAT Office along with an IBAN certificate or other equivalent documentation issued by the bank showing the entity's bank details.

VAT refunds will be suspended where income tax returns have not been submitted by the submission date of the VAT refund claim. In addition, no interest will be payable on a VAT refund for the period during which the refund is suspended. Finally, VAT refund applications cannot be submitted six (6) years from the end of the relevant tax period, unless permission is obtained from the Tax Commissioner.

7.4 Intra EU community trading and services

Entities that undertake intra-Community transactions, such as acquisitions and sales of goods and provision of services from/to EU Member States need to complete and submit the following forms:

- VAT return
- Recapitulative statement for supplies of goods and services (VIES form)
- INTRASTAT – Arrivals of Goods
- INTRASTAT – Departures of Goods

Obligations of Traders under INTRASTAT

As from 1 May 2004, each VAT-registered person who supplies goods to and/or receives goods from other Member States (the value of which exceeds the statistical threshold), is obligated to submit the INTRASTAT return for arrivals as well as dispatches to the Tax Department each month via TAXISnet. A trader may appoint an agent to make and submit the INTRASTAT return on his behalf.

According to the applicable EU legislation, the Government of the Republic of Cyprus defines each year thresholds expressed in annual values of intra-Community trade, below which parties are exempted from providing any INTRASTAT information. The thresholds are defined separately for arrivals and dispatches, and they may change each year.

The thresholds established by the government of Cyprus for the year 2026 for the requirement to submit INTRASTAT information are the following:

- For arrivals in Cyprus, exempted from providing INTRASTAT information if annual values are less than €350,000 (simplified return if annual values are less than €2,700,000).
- For dispatches from Cyprus, exempted from providing INTRASTAT information if annual values are less than €75,000 (simplified return if annual values are less than €5,800,000).

The INTRASTAT return must be submitted to the Tax Department by the tenth (10th) day immediately following the end of the month to which the return relates.

Introduction of e-commerce package (OSS & IOSS)

A new EU VAT e-commerce package was introduced with effective date of the 1 July 2021, which covers the following:

- Creation of the One Stop Shop (OSS) portal scheme which is applicable as follows:
    - Non-EU Regime: Applicable to 3rd country suppliers who do not have a permanent establishment in the EU for services provided to EU based customers (B2C).
    - EU Regime: Applicable to the supply of services within EU (i.e., supplier with permanent establishment in the EU to a customer based in the EU). Also applicable to non-EU based suppliers to for the supply of goods to EU based customers.
    - Subject to an EU wide threshold of €10,000 on intra-EU supplies regarding the applicable VAT (i.e., supplies above the threshold are charged VAT at the rate applicable in the receiving customer's country).

- Online marketplaces, platforms and electronic interfaces are liable to collect and pay VAT for the supply of goods to EU-based customers (B2C) for the transactions below:
    - Sales of goods imported to the EU from suppliers established in 3rd countries with a value not exceeding €150.
    - Sale of goods within EU from a supplier who does not have a permanent establishment in the EU.

- Creation of the Import One Stop Shop (IOSS) e-portal:
    - Applicable to the import of goods to the EU from suppliers established in 3rd countries up to a value of €150 per consignment.

- The 3rd country suppliers may register for this scheme in the EU country where they have a permanent establishment, or they may register through an EU based representative.
- Registration for the IOSS portal is not mandatory. Should the supplier not choose to register in the IOSS, a simplification mechanism is applied by postal operators to collect the input VAT.

7.5 Penalties and interest

Late Registration	€85 for every month of delay
Late Submission of VAT return	€100 for each return
Late Payment of VAT	10% of amount due plus interest
Late De-Registration	€85 one-off
Late Submission of the Intrastat return	€15 for each return (non-compliance that continues after the thirty (30) working days constitutes a criminal offence and a convicted person may incur an additional fine of up to two thousand five hundred sixty-two euro (€2,562)).
Late Submission of VIES return	€50 for each return
Omission to submit the VIES return	Criminal offence (maximum penalty €850)
Failure to Comply with the Reverse Charge Provisions for Transactions Falling under Sections 11, 11A-11E and 12A of the VAT Law of 2000 (L.95(I)/2000), as amended (applies from 1st July 2021)	€200 for each VAT return (the total penalty should not exceed €4,000)

8. Transfer Pricing (TP)

On 30 June 2022, Cyprus enacted an in-depth TP legislation and incorporated the OECD TP Guidelines for Multinational Enterprises and Tax Administrations (OECD TP Guidelines) into the Cypriot Income Tax Law of 2002 (Law 118(I)/2002), as amended. TP is the way tax law permits for the allocation of income to related companies and permanent establishments.

TP guidelines are based on the arm's length principle for transactions between related entities. Effectively that means that entities that are related via management, control or capital in their controlled transactions should agree to the same terms and conditions which would have been agreed between non-related entities for comparable uncontrolled transactions. This is codified in Section 33 of the Income Tax Law. The TP rules set out the required content of the TP Documentation Files (Local and Master Files) and the Summary Information Table (SIT) and introduce the framework for Advance Pricing Agreements (APAs).

8.1 TP reporting and documentation requirements

There are documentation requirements in relation to TP that apply to all Cypriot tax resident companies, as well as permanent establishments of non-resident companies as from 1 January 2022:

- **Local File:** The Local File is applicable for Taxpayers if their dealings with related entities either exceed (or should have exceeded based on the arm's-length principle) in a tax year –
    - maximum limit at any time during the year of €10.000.000 for financing transactions, or
    - the amount of €5.000.000 in aggregate for sale/ purchase of goods, or
    - the amount of €2.500.000 in aggregate for any other category of transaction.

  For related party transactions that fall below the Local File thresholds, a simplified Transfer Pricing report should be prepared annually.

- **Master File:** The Master File shall be prepared by Multinational groups that meet both below requirements:
    - Consolidated revenues exceeding € 750 million.
    - The Ultimate Parent Entity (UPE) or Surrogate Parent Entity of the group is a Cypriot tax resident company.

- **Summary Information Table (SIT):** The SIT is an additional form that is applicable to all taxpayers engaged in related party transactions, with zero reporting materiality threshold. It must reflect high-level information about the taxpayer's annual intercompany transactions, including details of the counterparties, category of intercompany transactions entered, and amount per transaction category. The SIT is submitted through the Tax for All (TFA) portal to the tax authorities on an annual basis along with their respective Income Tax Return.

8.2 Advance Pricing Agreements (APA)

An Advance Pricing Agreement (APA) is a chosen agreement linking a taxpayer and one or more tax authorities that permits the parties to approve in advance the transfer pricing approach for any given intercompany transaction(s) for a specific time. An APA includes certain criteria and assumptions used in determining the arm's length pricing of the related transactions for a particular period. Taxpayers may submit APA to the Cypriot Tax Authorities for evaluation and approval. APAs may have unilateral, bilateral, or multilateral applications and in these situations, they will be valid for four (4) years.

8.3 Penalties for non-compliance with Transfer Pricing (TP) legislation

The following penalties are applicable for non-compliance within the submission deadlines for the TP Documentation Files and the SIT:

- **Master and Local files:**
    - €5,000 (if submitted between 61 and 90 days at the request of the Tax Department)
    - €10,000 (if submitted between 91 and 120 days at the request of the Tax Department)
    - €20,000 (if not submitted or submitted after 120 days at the request of the Tax Department)
- **SIT:**
    - Late submission fine of €500

8.4 TP – Frequently asked questions

The Tax Department of the Republic of Cyprus has released answers to Frequently Asked Questions (FAQ) with reference to Sections 33 and 33C of the Income Tax Law, Regulatory Administrative Act (RAA) 314/2022 and RAA 273/2022, with effect as from 1 January 2022 available here.

9. Intellectual Property (IP) Regime

The Cyprus IP Box regime was introduced to provide a more attractive corporate tax environment for income generated from the exploitation of Qualifying Assets (QA), thus encouraging and supporting innovation and growth through the respective R&D activities.

Per the new Cyprus IP Box regime an 80% notional expense deduction is calculated on Qualifying Profits (QP) generated from QA's using the "modified nexus approach", thus resulting in a significant reduction of the effective corporate tax on such QP.

9.1 Qualifying Assets (QA)

Qualifying Assets (QA) under the IP regime include the following:

- Patents,
- copyrighted software programs,
- utility models, IP assets that grant protection to plants and genetic materials, orphan drugs, extensions of patent protection, and
- other intangible assets that are non-obvious, useful and novel, if average 5 year gross income generated by them does not exceed on a company level the annual amount of €7,500,000, and on a group level the annual amount of €50.000.000.

QA's do not include trademarks, brands, copyrights, image rights, other marketing related IP.

9.2 Qualifying IP Income (QI)

Qualifying IP Income (QI) under the IP regime includes the following:

- royalties
- granting a license for the use of a QA
- insurance/ compensation in relation to a QA
- trading income from the sale of a QA (excluding capital gains)
- income embedded in the sale of goods and services processes that are directly related to a QA

9.3 Qualifying Profits (QP)

Qualifying Profits (QP) are calculated in accordance with the nexus fraction, where the higher the R&D expenditure incurred to develop the qualifying asset, the higher the amount of profits qualifying for the 80% tax exemption.

The nexus fraction formula below is used to calculate the QP-

- QP=OI x (QE+UE)/OE), where,
  - OI is the gross qualifying income (QI) minus direct costs incurred for generating the OI
  - QE is the Qualifying Expenditure incurred exclusively for the creation, development, and improvement of the QA, such as salaries, wages, other direct costs, R&D costs of third parties. It does not include QA acquisition costs or interest related to such acquisition, as well as R&D costs of related parties
  - UE is the Uplift Expenditure representing the lower of 30% of the QE or the QA acquisition cost plus the R&D costs of related parties
  - OE is the Overall Expenditure representing the total of the QE, the QA acquisition cost, and the R&D costs of third parties

9.4 Qualifying Profit (QP) Taxation

Based on the above calculations, 80% of the resulting QP is exempt from taxation. Any remaining profits will be taxed at the standard corporate tax rate of 15%.

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

Qualifying taxpayers that are eligible for the above-mentioned tax benefits include Cyprus tax resident persons, permanent establishments (PEs) of non-tax resident persons as well as foreign PEs which are subject to tax in Cyprus.

10. Other Contributions and Fees

10.1 Social Insurance (SI) and other Contributions

Contributions to the Social Insurance fund and other related funds are calculated on the gross emoluments as follows:

FUNDS	Contributions on emoluments			Maximum Upper emolument limits		
	Employer	Employee	Self-employed	Weekly employees	Monthly employees	Annual
	%	%	%	€	€	€
Social Insurance	8.8	8.8	16.6			
Redundancy	1.2			Revised by the Government on an annual basis		
Industrial Training	0.5					
Social Cohesion	2.0			None	None	None

Contributions of self-employed individuals are also subject to a lower weekly emoluments limit depending on the occupation of the individual

10.2 Contributions to the General Health System (GHS)

Contributions to the GHS are calculated on the gross emoluments, pensions, earnings (i.e., dividends), other income of individuals as per the following table:

No.	Contributors' Category	Calculated on	Rate %
1	Employees	Own emoluments	2.65
2	Employers (including the Government of Cyprus as an employer)	Employees emoluments	2.90
3	Self-employed	Own income	4.00
4	People holding office (government, local authorities, private)	Officers' remuneration	2.65
5	Pensioners	Pension	2.65
6	Income earners (rents, interest, dividends, other)	Earned income	2.65
7	Government of Cyprus (for above categories 1,3,4,5)	Emoluments/ Pensions	4.70

GHS contributions are calculated up to a maximum annual income of €180,000

10.3 Property related fees

10.3.1 Property Transfer Fees

Fees to the Department of Lands and Surveys are payable on property transfers by the purchaser based on the table below:

Market value	Rate	Fees	Cumulative fees
€	%	€	€
0 – 85,000	3	2,550	2,550
85,001-170,000	5	4,250	6,800
Over 170,000	8		

Notes -

- No transfer fees are payable if VAT is applicable on the property purchase
- If no VAT is applicable on the property purchase, the above fees are reduced by 50%
- For free transfers of property, the following fees are payable based on the property values as estimated by the Land and Surveys Department as of 1 January 2013
  - From parents to children – 0%
  - Between spouses – 0.01%
  - Between relatives up to 3rd degree – 0.01%
- For transfers of property to a Trustee, a fixed fee of €50 is payable
- Qualifying company reorganizations, and qualifying loan restructuring are exempt from transfer fees

10.3.2 Levy on immovable property sales

A levy of 0.4% on the sale of immovable property was introduced as of 22 February 2021. The levy is calculated on the following:

- Sale of immovable property, calculated on the sales proceeds
- Sale of shares of a company which owns directly or indirectly immovable property. The levy is calculated on the Department of Lands and Surveys' latest general valuation of the immovable property owned by the respective company

Exempt from the above Levy are sale of shares of a company that is listed on a recognized stock exchange, debt for asset swaps, and qualifying reorganizations.

11. Double Tax Treaties (DTT)

The below table illustrates range of withholding taxes levied by either Cyprus or an overseas jurisdiction subject to the respective DTT, and specified conditions thereof:

Country	Received in Cyprus (%)			Paid from Cyprus (%)		
	Dividends	Interest	Royalties	Dividends	Interest	Royalties
EU non-cooperative jurisdictions				17	17	10
Other non-treaty countries				0	0	0/5/10
Andorra	0	0	0	0	0	0
Armenia	0/5	0/5	5	0	0	0/5
Austria	10	0	0	0	0	0
Bahrain	0	0	0	0	0	0
Barbados	0	0	0	0	0	0
Belarus	5/10/15	5	5	0	0	0/5
Belgium	10/15	0/10	0	0	0	0
Bosnia	10	10	10	0	0	0/5/10
Bulgaria	5/10	0/7	10	0	0	0/5/10
Canada	15	0/15	0/10	0	0	0/5/10
China	10	10	10	0	0	0/5/10
Croatia	5	0/5	5	0	0	0/5
Czech Republic	0/5	0	0/10	0	0	0/10
Denmark	0/15	0	0	0	0	0

Country	Received in Cyprus (%)			Paid from Cyprus (%)		
	Dividends	Interest	Royalties	Dividends	Interest	Royalties
Egypt	5/10	10	10	0	0	0/5/10
Ethiopia	5	0/5	5	0	0	0/5
Estonia	0	0	0	0	0	0
Finland	5/15	0	0	0	0	0
France	10/15	0/10	0/5	0	0	0/5
Georgia	0	0	0	0	0	0
Germany	5/15	0	0	0	0	0
Greece	25	10	0/5	0	0	0/5
Guernsey	0	0	0	0	0	0
Hungary	5/15	0/10	0	0	0	0
Iceland	5/10	0	5	0	0	0/5
India	10	0/10	10	0	0	0/5/10
Iran	5/10	0/5	6	0	0	0/5/6
Ireland	0	0	0/5	0	0	0/5
Italy	15	10	0	0	0	0
Jersey	0	0	0	0	0	0
Jordan	5/10	0/5	7	0	0	0/5/7
Kazakhstan	5/15	0/10	10	0	0	0/5/10
Kuwait	0	0	5	0	0	0/5
Latvia	0/10	0/10	0/5	0	0	0/5
Lebanon	5	0/5	0	0	0	0
Lithuania	0/5	0	5	0	0	0/5
Luxembourg	0/5	0	0	0	0	0
Malta	0	0/10	10	0	0	0/5/10
Mauritius	0	0	0	0	0	0
Moldova	5/10	5	5	0	0	0/5
Montenegro	10	10	10	0	0	0/5/10
Netherlands	0/15	0	0	0	0	0
Norway	0/15	0	0	0	0	0
Poland	0/5	0/5	5	0	0	0/5
Portugal	10	10	10	0	0	0/5/10
Qatar	0	0	5	0	0	0/5
Romania	10	0/10	0/5	0	0	0/5
Russia	5/15	0/5/15	0	0	0	0
San Marino	0	0	0	0	0	0
Saudi Arabia	0/5	0	5/8	0	0	0/5/8
Serbia	10	10	10	0	0	0/5/10

Country	Received in Cyprus (%)			Paid from Cyprus (%)		
	Dividends	Interest	Royalties	Dividends	Interest	Royalties
Seychelles	0	0	5	0	0	0/5
Singapore	0	0/7/10	10	0	0	0/5/10
Slovakia	10	0/10	0/5	0	0	0/5
Slovenia	5	0/5	5	0	0	0/5
South Africa	5/10	0	0	0	0	0
Spain	0/5	0	0	0	0	0
Sweden	5/15	0/10	0	0	0	0
Switzerland	0/15	0	0	0	0	0
Syria	0/15	0/10	10/15	0	0	0/5/10
Thailand	10	0/10/15	5/10/15	0	0	0/5/10
Ukraine	5/10	0/5	5/10	0	0	0/5/10
UAE	0	0	0	0	0	0
United Kingdom	0/15	0	0	0	0	0
USA	5/15	0/10	0	0	0	0

12. Tax Diary – Year 2026

12.1 Tax Diary

The below deadlines are subject to revision by the Tax Department and therefore taxpayers are advised to seek new announcements in respect of this matter.

End of each month

- Payment of tax deducted from employees' salary (PAYE) in the preceding month.
- Payment of Special Defence Contribution (SDC) withheld on payments of dividends or interest made to Cyprus tax residents in the preceding month (Note 1).
- Payment of tax withheld on payments to non-Cyprus residents in the preceding month.
- Electronic submission of employer's return (TD7) via the Tax for All (TFA) portal

31 January

- Payment of the Special Defence Contribution (SDC) and General Healthcare System Contributions (GHS) on deemed dividend distribution for the profits of tax year 2023.

31 March

- Electronic submission of the income tax return (TD4) for the tax year 2023 for companies and, if applicable, the Summary Information Table (SIT) for related party transactions.

- Electronic submission of the income tax return for physical persons preparing audited financial statements for the tax year 2023 (Note 2), and, if applicable, the Summary Information Table (SIT) for related party transactions
- Electronic submission of annual employer's return (TD7) for year 2024 via the Tax for All (TFA) portal
- Electronic submission of six-monthly employer's return (TD7) for July-December 2025 via the Tax for All (TFA) portal

31 May

- Electronic submission of the employer's return (TD7) relating to the payroll for the year 2025.

30 June

- Payment of Special Defence Contribution (SDC) for the first six (6) months of 2026 on dividends or interest from sources outside Cyprus (Notes 1 & 4).

31 July

- Submission of the 2026 provisional income tax return and payment of the first instalment (Notes 3 & 5).
- Electronic submission of the 2025 income tax return by individuals (TD1) and payment of the tax by self-assessment (Note 2).
- For individuals with rental income, payment of the first instalment, by way of self-assessment, of the corresponding income tax and GHS contributions.

1 August

- Payment of the 2025 final corporation tax under the self-assessment method (Note 6).
- Payment of the 2025 personal income tax under the self-assessment method by self-employed individuals preparing audited financial statements (Note 2 & 6).

30 November

- Electronic submission of the income tax return (TD4) for the tax year 2024 for companies and, if applicable, the Summary Information Table (SIT) for related party transactions.
- Electronic submission of the income tax return for physical persons preparing audited financial statements for the tax year 2024 (Note 2), and, if applicable, the Summary Information Table (SIT) for related party transactions.

31 December

- Submission of the 2026 revised provisional tax return (if applicable) and payment of the second instalment of provisional tax (Note 7).
- Payment of Special Defence Contribution (SDC) for the last six (6) months of 2026 on dividends or interest from sources outside Cyprus (Note 4).
- For individuals with rental income, payment of the second instalment, by way of self-assessment, of the corresponding income tax and GHS contributions

Notes:

1. *General Healthcare Contributions (GHS) are also paid if the payment is made to a Cyprus tax resident individual.*
2. *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 (as of 1/1/2026 this amount has been increased to €120.000). Such physical person should be paying his/her 2025 self-assessed income tax by 1 August 2026 and submitting his/her electronic tax return by 31 January 2028.*
3. *If a company was first registered in Cyprus after the 30th of June, or an individual earned income after the 30th of June creating an obligation to pay provisional tax, such provisional tax may be paid in one instalment by 31st of December of the current year.*
4. *Through tax portal under payment codes 604, 612, 613.*
5. *Through tax portal under payment codes 200 and 213 for self-employed individuals.*
6. *Through tax portal under payment code 300.*
7. *Through the tax portal for both a downward and an upward revision.*

12.2 Penalties & Interest in late submissions & payments

Administrative penalties

An administrative penalty ranging from €150 to €1,000 (depending on the case) is imposed for the late submission of a tax return or late submission of supporting documentation requested by the Tax Commissioner.

In case of late payment of the tax, a penalty of 5% is imposed on amount of tax due. An additional penalty of 5% is imposed if the tax remains unpaid for two (2) months following the payment deadline.

An administrative penalty of €500 for non-submission is imposed to companies that are required to submit a Summary Information Table (SIT) for related party transactions. Additionally, if either the Local File or Master File (where applicable) are not submitted within 60 days of a formal request by the Tax Department, additional fines may be imposed ranging from €5,000 to €20,000 depending on the duration of the delay.

Public interest rate

The interest rate applicable on late payment of taxes is set through a Decree and it is calculated on a completed month basis. The interest rate for 2026 is 3.50%.

The interest rates applicable for previous years are as below:

Period	Annual Interest Rate
Up to 31/12/2006	9.00%
1/1/2007-31/12/2009	8.00%
1/1/2010-31/12/2010	5.35%
1/1/2011-31/12/2012	5.00%
1/1/2013-31/12/2013	4.75%
1/1/2014-31/12/2014	4.50%
1/1/2015-31/12/2016	4.00%
1/1/2017-31/12/2018	3.50%
1/1/2019-31/12/2019	2.00%
1/1/2020-31/12/2022	1.75%
1/1/2023-31/12/2023	2.25%
1/1/2024-31/12/2024	5.00%
1/1/2025-31/12/2025	5.50%

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