



AUDIT TAX CONSULTING

CYPRUS TAX FACTS

BRIEF INFORMATION
FOR THE TAX YEAR

2026



Your **trusted** guide to
Cyprus taxation and
regulatory developments.



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IMPORTANT INFORMATION

The information contained in this booklet is accurate as at the date of its publication. It is based on information available at that time and is designed to answer some of the commonly asked questions. It should not substitute professional advice.

For explanations, clarifications or professional advice, please contact us at the following address:

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As of 01.01.2026, Cyprus has implemented a comprehensive Tax reform package aimed at reshaping the tax system to better address modern economic and social demands. The reform enhances flexibility, fairness, and efficiency, while also strengthening tax compliance. The relevant laws have been published and incorporated into our Tax Booklet.

1. MAJOR ADVANTAGES OF CYPRUS AS AN INTERNATIONAL BUSINESS CENTER

We outline below the major advantages of using Cyprus as an International Business Centre.

Corporate tax rate

A uniform corporate tax rate of 15% (as from 2026 year and onwards) for all companies. This is one of the lowest corporate tax rates in Europe.

A holding company jurisdiction

Any dividend income is exempt from tax, irrespective of its source. This exemption does not apply if the non-resident company paying the dividend carries on more than 50% investment activities which give rise to investment income and the overseas tax burden on its income is significantly lower than the Cyprus tax burden (less than 6,25%).

Trading in securities

Any profit from the disposal of securities, irrespective of whether this profit forms part of a company's trading activity or is of a capital nature, is exempt from Cyprus tax.

Permanent establishment abroad

Any profits from a permanent establishment maintained abroad are exempt from taxation in Cyprus. This, in conjunction with the use of Cyprus' extensive double taxation treaty, can result in such profits escaping taxation altogether.

Tax Residency for companies

A company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised from Cyprus (management and control test). The definition of a Cyprus tax resident company has been extended to also include companies which have been incorporated under the Cyprus Companies Law, irrespective of whether another country also considers them as tax resident in that country.

No withholding taxes on payments from Cyprus

Payments of dividends, interest, and royalties granted for use outside of Cyprus, by Cyprus tax residents to non-Cyprus tax residents are exempt from withholding tax in Cyprus according to the Cyprus tax legislation.

As from 31st December 2022, there will be withholding tax in Cyprus at the standard rates provided in the Cyprus tax legislation, if they are made to persons which are:

- Incorporated/ registered in a jurisdiction included in the EU blacklisted jurisdiction that do not have a tax residency elsewhere, or
- tax resident in jurisdictions included in the EU list of non-cooperative jurisdictions on tax matters.

Exemption of capital gains

No capital gains tax is payable, except on the disposal of immovable property, which is situated in Cyprus, or of shares in a company which owns immovable property situated in Cyprus. Therefore, Cyprus companies can be used to hold real estate outside Cyprus with no capital gains tax implications in Cyprus on their disposal.

Double taxation treaties

What distinguishes Cyprus from most other international business centers is its extensive network of double taxation treaties (currently with 65 countries). Generally, most treaties provide for reduced rates of withholding tax on dividends, interest and royalties paid out of the treaty country, or the avoidance of double taxation in the case where a resident in one of the treaty countries derives income from the other treaty country.

Non-residents working in Cyprus

Non-residents physically present in Cyprus for less than 183 days are taxable in Cyprus only on income derived from sources within the Republic of Cyprus.

Personal tax rates

The personal income tax rates are progressive, with a non-taxable threshold of EUR 22,000, and reach a maximum rate of 35% on income exceeding EUR 72,000.

Relief for overseas employment

A Cypriot resident working abroad for an overseas employer is exempt from taxation on the salary attributed to overseas duties if these duties result in spending more than 90 days in any tax year abroad.

Employment Income Exemptions for Individuals becoming Cyprus Tax Residents -

A non-resident taking up employment and becoming resident in Cyprus will be given a 20% exemption for remuneration below Euro 55,000 provided that, prior to the commencement of their employment in Cyprus, were not resident of Cyprus for a period of at least 3 consecutive tax years and were employed outside of Cyprus by a non-resident employer. The exemption applies for a period of 7 years starting from the tax year following the tax year of commencement of employment. The allowance cannot exceed Euro 8,550.

Furthermore, for first employments commencing in Cyprus with remuneration exceeding Euro 55,000 p.a, a 50% exemption applies, for individuals who were not resident of Cyprus for a period of at least 15 consecutive tax years immediately prior to the commencement of their employment in Cyprus. Exemption applies for a period of 17 years.

Personal income tax incentives

Benefits are given to Cy tax resident employees such as tax deduction for children, housing, green transition as well as an attractive flat tax rate of 8% on share-based payments mostly targeted towards new enterprises, which aims to boost the attraction of quality employees to Cyprus.

(see details in section 2 below).

Moreover, under the new law provisions of 'The Brain Gain Initiative', eligible individuals may claim a 25% exemption on their remuneration from any employment in Cyprus, or on the profits from carrying on a business in Cyprus with maximum amount of the exemption the €25,000 per tax year, for up to seven years. (subject to conditions)

Cyprus Tax Resident

As from 1 January 2017, an individual can be a tax resident of the Republic even if he/she spends less than or equal to 183 days in the Republic if he/she satisfies all related conditions (60 days rule).

Cyprus non domiciled individuals

Individuals are subject to special defence contribution if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of special contribution for defence if he/she has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.

Risk-finance investment in an innovative small and medium-sized enterprise (SME)

According to the new provisions of the Article 9A of the Income Tax Law, a qualifying investor which makes a “risk-finance investment” in an “innovative small and medium-sized enterprise (SME)” may deduct the costs of the investment from his/her taxable income. The tax deduction is limited to 50% of the investor's taxable income in the year in which the investment is made.

Super Deduction on R&D expenses

A Super Deduction on R&D expenses, in the form of an additional 20% deduction, applies in respect of expenses of tax years 2025-2030.

Income / profits from intellectual property rights

80% of the net profits from exploitation of intellectual property rights, as well as the gain on sale of any intellectual property rights, are exempt from taxation (provided that they comply with the provisions/conditions of the relevant Law) (see details in section 3 below).

2. PERSONAL INCOME TAX

Imposition of tax

Where an individual is a tax resident in the Republic, tax is imposed on income accruing or arising from sources both within and outside the Republic.

Where an individual is not a tax resident in the Republic, tax is imposed on income accruing or arising only from sources within the Republic relating to

- a) profits or other benefits from permanent establishment in the Republic
- b) gains or other benefits from any office or employment exercised in the Republic

Cyprus Tax Resident

A tax resident in the Republic is an individual who is present in the Republic for a period exceeding 183 days in a tax year.

An individual can be a tax resident of the Republic even if he/she spends less than or equal to 183 days in the Republic. Moreover, an individual may also be considered tax resident in Cyprus if (s)he satisfies the “60-day rule”. The “60 day rule” applies to individuals who in the relevant tax year if he/she satisfies all of the following conditions within the same tax year:

- i. does not spend more than a total of 183 days in any other country within a tax year
- ii. remains in Cyprus for at least 60 days in the tax year
- iii. carries on a business in Cyprus or be employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year
- iv. maintains a permanent home in Cyprus that is either owned or rented.

It should be noted that, if the employment/business or holding of an office is terminated, the individual will cease to be considered a Cyprus tax resident for that tax year under the new rules.

Personal Income Tax rates

Taxable Income (€)	Tax Rate (%)	Tax Amount (€)	Cumulative Tax (€)
0 - 22.000	0	0	0
22.001 - 32.000	20	2.000	2.000
32.001 - 42.000	25	2.500	4.500
42.001 - 72.000	30	9.000	13.500
72.001 and over	35		

Exemptions

The following are exempt from income tax:

- Gratuity or lump sum received on retirement, or commutation of pension, or compensation for death or injuries. Ex gratia payments in relation to retirement or termination of employment or office exceeding EUR 200k are taxed at a 20% rate (not deductible for employer). Lump sum repayment from life insurance schemes or from approved funds, e.g., provident funds. Gains from disposal of securities Dividend income Interest income. Interest accruing to individuals is exempt from tax. Interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest but trading profit and therefore the exemption is not applicable. Remuneration from rendering of salaried services outside the Republic

to a non-resident employer or to a permanent establishment outside the Republic of a resident employer for a total aggregate period in the year of assessment of more than 90 days. Profits from a permanent establishment maintained outside the republic Subject to a rule that the PE activities abroad do not lead to more than 50% in investment income and the foreign tax burden is not substantially less than the Cyprus Tax (i.e., not less than 5%).

- An allowance of 20% or Euro 8.550 (whichever is the lower) is given for remuneration below Euro 55,000 from any office or employment exercised in the Republic by an individual commenced after 26 July 2022 and who was not a tax resident in Cyprus before the commencement of the employment. Exemption is granted for 7 years, starting from the tax year following the tax year of commencement of the first employment.

For employments exercised in the Republic commenced between the year 2012 and 26 July 2022 by an individual who was resident outside the Republic before the commencement of his/her employment in the Republic, is exempt from income tax for five years, starting from the tax year following the year of employment. Individuals who meet the conditions for this exemption before its termination date (i.e. 26 July 2022) will continue to benefit for the relevant five- year period. This exemption may not be claimed in addition to the below 50% exemption for employment income.

- An allowance of 50% is given for remuneration of a non-resident who is employed in Cyprus and who was not a resident of the Republic for at least 15 consecutive years immediately before the commencement of his/her employment in the Republic, provided that the remuneration from such employment exceeds Euro 55.000 and the individual's first employment in the Republic commenced as from 1 January 2022 onwards.

The exemption is granted for 17 years, starting from the month of employment in the Republic.

The exemption is also available to individuals whose employment commenced prior 1 January 2022, and who have continued employment in the Republic from the year of commencement of their first employment in the Republic up to and including tax year 2021 and for a period of at least 15 years immediately before the commencement of their first employment in the Republic were non-Cyprus tax residents and

© they have been granted with the 50% exemption based on Article 8(23), or

- whose first employment in the Republic commenced between 2016 and 2021 with emoluments exceeding the €55.000 per annum or
- whose first employment in the Republic started between tax years 2016 and 2021 with emoluments not exceeding the €55.000 per annum and within a period of six months, from 26 July 2022 their emoluments exceed the €55.000 per annum.

Individuals who meet the conditions for this exemption before its termination date (i.e. 26 July 2022) will continue to benefit for the relevant ten-year period, unless the individual also qualifies for the new 50% exemption of Article 8(23A).

- 25% tax exemption on remuneration from employment or profits from a business in Cyprus commencing no later than the end of the 2030 tax year.

This 'Brain Gain Initiative' exemption is limited to €25,000 per annum and is applicable from 1 January 2025 for a period of 6 years.

To qualify for this incentive, an individual must cumulatively satisfy the following conditions:

- tax resident in Cyprus, except for the year in which he/she begins to be employed or to carry on a business in Cyprus; and
- be employed or to carry on a business in Cyprus from 1st of January 2025 up to and including the year 2030; and
- during the first 12 months following the commencement of employment or business activity in Cyprus, he/she had employment income or business profits exceeding €30.000; and

- not a tax resident in Cyprus during the 7 tax years immediately preceding the year in which employment or business activity commenced in Cyprus; and
- tax resident in Cyprus in at least one tax year prior to the 7 year period.

Moreover, individuals must meet at least one of the following conditions:

- holds a recognised university degree and was employed on a full-time basis outside Cyprus by a non-Cypriot tax resident employer for at least 36 months within the 84 months preceding the month of commencement of employment of business activity in Cyprus; or

Employed on a full-time basis abroad by a non-Cyprus employer for a continuous period of 84 months preceding the month of commencement of employment of business activity in Cyprus.

Tax Deductions

The following are deducted from income:

- Interest in relation to the acquisition of fixed assets used in the business
- Interest in respect to the acquisition of a building for rental purposes
- Subscriptions to trade unions or professional bodies
- Donations to approved charitable organization (with receipts)
- Expenses for letting of buildings (20% of the rental income)
- Expenditure for the maintenance of buildings under preservation order

Up to €700, €1.100 or €1.200 per sq. m. (depending on the size of the building)

- Business entertainment expenses including hospitality expenses of any kind which are incurred for the purpose of the business. (The lower of €30.000 or 1% of the gross income)
- Tax allowable deduction for an individual investing in an innovative small/medium sized business. This amount is restricted up to 50% of the taxable income prior to this deduction (max €150.000 per year). Any unused deduction can be carried forward and claimed in the following 7 years, subject to certain restrictions.
- 20% of eligible infrastructure and technological equipment expenditure in the audio-visual industry.

Disallowable expenses

The following expenses are not deducted from income:

- Private motor vehicle expenses
- Professional tax
- Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of purchase of the relevant asset.

Wages and salaries relating to services offered within the tax year on which contributions to the Social Insurance Fund, Redundancy Fund, Human Resource Development Fund and Provident Fund have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income

In case the above contributions (including any penalties and interest) are paid in full within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

Tax Losses

Losses carried forward

Individuals who have an obligation to prepare audited financial statements (i.e., those with turnover more than €120.000) may carry forward tax losses incurred during a tax year over the next seven years, to be offset against taxable income.

Where a person, including a partnership, converts his business into a limited liability Company, any unrelieved losses can be transferred to the new company.

Loss from a permanent establishment abroad

Losses arising from a permanent establishment maintained outside the Republic can be offset against profits arising in the Republic. However, when a profit arises from such a permanent establishment, an amount equal to the losses that have been utilized in the past against profits arising in the Republic, will be included in the taxable income.

Personal allowances

The following are deducted from income:

Social insurance contributions, contributions to approved provident and pension funds, the General Health Plan, contributions to medical or other approved funds, insurance premiums in respect of the life of the claimant	The whole amount up to 1/5 of the taxable income (before this allowance)
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- — the total deduction for medical funds and medical insurance is restricted to 1,5% of gross income
 - the annual life insurance premium is restricted to 7% of the amount insured
- life insurance policies, in respect to the life of the claimant's spouse, and for which the claimant was receiving a tax allowance, will continue to be deductible by the claimant

The following tax allowances are introduced and included in the Cyprus tax reform package as from 1/1/2026:

- Tax allowances are introduced based on family income and number of children ranging from EUR 1k per child per parent to EUR 2k per child per parent, with family gross income ranging between EUR 100k and EUR 200k. Deductions are also provided in cases of single-parent families, families where one parent has custody of the children (the deduction is available only to the parent having custody), or families with joint custody of children.
 - Tax allowances are introduced for interest expense or rental expense for the purpose of a primary residence.
 - Additional deductions are introduced, such as a deduction of up to EUR 500 for insurance of a residence against natural disasters.
 - Tax allowances are now extended to include insurance premiums for permanent or partial incapacity.
- Tax allowances are also provided for capital expenses incurred to increase the energy efficiency of a primary residence and in relation to electric vehicles.

Notional income on drawings

In the case of granting a loan or financial facility, including cash withdrawals from a company, to physical persons, directors or shareholders (direct or indirect), or their spouses or relatives up to the second degree, it is deemed that the person has a monthly benefit equal to nine percent (9%) annually over the balance of the loan or any other financial facility. Such benefit is included in the individual's income subject to income tax.

The amount of tax on the person's monthly benefit must be withheld from salary and paid to the Tax Department monthly under the PAYE system.

Share Based Payments

Benefits derived by employees and/or directors of a company in the form of share option rights or rights for acquisition of shares (the "Rights") are subject to a flat tax rate of 8%.

The 8% rate is only applied on the part of the benefit which does not exceed an amount equal to two times the remuneration from employment earned by the relevant employee/director in the year of vesting, excluding the benefit. Any excess amount of benefit is subject to the general rates applicable to all other types of income.

3. CORPORATION TAX

Imposition of tax

Where a company is resident in the Republic, tax is imposed on income accruing or arising both from sources in and outside the Republic.

Where a company is not a resident in the Republic, tax is imposed on income accruing or arising only from sources in the Republic.

Resident in the Republic is a company that is managed and controlled in the Republic.

Foreign taxes paid can be credited against the Cyprus corporation tax liability.

With effect as from 1st January 2019, Controlled Foreign Company (CFC) rules apply, i.e., non-distributed profit of CFCs directly or indirectly controlled by a Cyprus tax resident company, may become subject to tax in Cyprus (certain exceptions may apply).

A Cyprus incorporated company will by default be considered a tax resident of Cyprus. The definition of a Cyprus tax resident company has been extended to also include companies which have been incorporated under the Cyprus Companies Law, irrespective of whether another country also considers them as tax resident in that country (except for companies deemed as tax residents of another country by reference to an applicable double tax treaty). The law further clarifies that companies that have transferred their registered office or legal seat to Cyprus will be considered

as being incorporated in Cyprus

Tax rates

As from 2026 onwards, the corporation income tax rate for all companies is 15% (prior 2026 was 12.5%).

Exemptions

The following are exempt from corporation tax:

- Dividend income (excluding dividends which are tax deductible by the taxable income of the non-resident dividend paying company)
- Profit from the disposal of securities
- Profits from a permanent establishment maintained outside the Republic subject to a rule that the activities abroad do not lead to more than 50% in investment income and the foreign tax burden is not substantially less than the Cyprus Tax, i.e., not less than 5%
- Interest income. Interest income arising in the ordinary course of business, including interest closely connected with the carrying on of the business, is not considered as interest but trading profit and therefore the exemption is not applicable.
- Income / profits from intellectual property rights

80% of the net profits from exploitation of intellectual property rights of qualifying assets, as calculated using the nexus approach, as well as the gain on sale of any intellectual property rights, are exempt from taxation (if they comply with the provisions/conditions of the relevant Law).

Under the new IP regime, a qualifying asset is:

1. an asset that was acquired, developed, or exploited in the course of carrying out a business, which is the result of research and development and includes intangible assets for which only economic ownership exists

2. any other IP asset that can be legally non-obvious, useful, and novel, which was exploited by a person (natural or legal) in the course of a business not earning more than €7.5 million per year in gross revenue or €50 million in case of a group of companies which are certified as such by an Appropriate Authority in Cyprus or abroad.

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

Business names (including brands), trademarks, image rights and other intellectual property rights used to market products and services are not considered as qualifying intangible assets anymore.

In case the IP activities are loss making for tax purposes, only 20% of the resulting net loss can be set off and carried forward as per the relevant provisions of the law.

As of 1 January 2015, corporate entities (including permanent establishment of foreign companies) are entitled to a Notional Interest Deduction (NID) on equity. It should be noted that in case the NID relates to the acquisition / financing of an IP falling within the scope of the new IP Box regime, the NID on equity should be regarded as a direct expense for the purpose of calculating the 80% deemed deduction mentioned above.

- Profits from the production of films, tv series and other audiovisual programs. The exemption is restricted to the lower of 35% of the eligible expenditure and 50% of the taxable income.

Exchange differences

As from the year 2015 any realized or unrealized foreign exchange difference, losses or gains will be tax neutral. In other words, FX gains will not be taxable and FX losses will not be tax deductible.

Exception to the amended Law applies for persons trading in foreign currencies (including trading in foreign currency derivatives). For persons trading in FX, the Law introduces an option to make an irrevocable election to be taxed only on realized FX differences provided that the 2015 Income Tax return is submitted within the statutory deadline. In case such election is made, any unrealized FX differences will be treated as taxable/tax deductible in the year they are realized.

Tax Deductions

All expenses of a company incurred wholly and exclusively to produce income are tax deductible. Such expenses are the following:

- Interest incurred for the acquisition of a fixed asset used in the business
- Donations to approved charities
- Expenditure for the maintenance of buildings under preservation order - up to EUR 700, EUR 1,100 or EUR 1,200 per sq. m. (depending on the size of the building)
- Business entertainment, including hospitality expenses of any kind incurred for the business (the lower of EUR 30,000 or 1% of gross income)
- New equity introduced to a company as from 1 January 2015 in the form of paid-up share capital or share premium is eligible for an annual Notional Interest Deduction (NID) on the new equity. The relevant interest rate is the yield on 10-year government bonds (as at 31 December of the prior tax year) of the country where the funds are employed in the business of the company, plus a 5% premium. A taxpayer may elect not to claim all or part of the available NID for a particular year. Certain anti-avoidance provisions apply. The NID cannot exceed 80% of the taxable profit derived from assets financed by new equity (as calculated prior to the NID).

Interest expense incurred for the direct or indirect acquisition of 100% share capital of a subsidiary company, to the extent that the company does not own any assets not used for business purposes. As from 2019, an interest limitation rule also applies, in accordance with the EU Anti-tax Avoidance Directive.

Eligible infrastructure and technological equipment expenditure in the audiovisual industry (20% for small and 10% for medium enterprises).

A Super Deduction on R&D; expenses, in the form of an additional 20% deduction, applies in respect of expenses of tax years 2025-2030 (including capitalised expenses on which capital allowances are granted). The law clarifies that the said additional deduction is claimed (fully or partially) at the election of the taxpayer.

Disallowable expenses

The following expenses are not deducted from income:

Private motor vehicle expenses

Professional tax

Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of purchase of the relevant asset.

Wages and salaries relating to services offered within the tax year on which contributions to the Social Insurance Fund, Redundancy Fund, Human Resource Development Fund and Provident Fund have not been paid in the year in which they were due, will not be tax deductible for the calculation of taxable income.

In case the above contributions (including any penalties and interest) are paid in full within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

Tax Losses

Carry forward of losses

Tax loss incurred during a year can be carried forward for the next seven years from the end of the tax year in which it was incurred, to be offset against taxable income.

Group loss relief

Losses for the current year only can be surrendered by a group company to another group company. Group relief will be given provided that both companies are members of the same group for the whole of a tax year.

Two companies are considered to be part of a group for group relief purposes, if: * one is a 75% subsidiary of the other, or

- both are 75% subsidiaries of a third company.

From 1 January 2012, where a company has been incorporated by its parent company during the tax year, this company will be deemed to be a member of this group for group relief purposes for that tax year.

As from 1 January 2015 interposition of a non-Cyprus tax resident company will not affect the eligibility for group relief, if such company is tax resident of either an EU country or, in a country with which Cyprus has a double tax treaty, or an exchange of information agreement (bilateral or multilateral).

Loss of a permanent establishment abroad

Losses arising from a permanent establishment outside the Republic can be offset against profits arising in the Republic. However, when a profit arises from such a permanent establishment, an amount equal to the losses that have been utilized in the past against profits arising in the Republic will be included in the taxable income.

Special method of taxation of gains from crypto assets

Gains arising from:

- a. the sale of a crypto asset;
- b. gift of a crypto asset;
- c. exchange of a crypto asset with another crypto asset; and
- d. the use of a crypto asset as means for making payments are subject to income tax at a flat rate of 8%. This special mode of taxation does not apply for gains on crypto assets that were acquired through mining. Regarding losses arising on crypto assets, they can only be offset against gains from other crypto assets of the same person of the same year. Such losses cannot be carried forward or offset through group relief.

Company Re-organizations

In the event of a company re-organization, unused losses brought forward will be transferred to the new company and the provisions dealing with the set off or transfer of losses will apply accordingly.

The term re-organization includes:

merger /demerger

dissolution

transfer of activities

exchange of shares

transfer of registered office of a European company or a European cooperative company

4. CAPITAL ALLOWANCES

Annual capital allowances are calculated as a percentage on the cost of acquisition of the asset used in the business and are deductible from the taxable income. Capital allowances for companies and individuals who prepare accounts are as follows:

Asset	Rate
Plant and machinery (Note 1)	
Forklifts, excavators, loading vehicles, bulldozers and oil barrels	25%
Motor vehicles of all types except private saloon cars	20%
Electric vehicles (Note 4)	33,3%
Personal computers (hardware) and operating software	20%
Operating software up to €1.709	100%
above €1.709	33,3%
Agricultural machinery and tools, compressors, spraying machines	15%
Water drillings, industrial carpets, video recorders, televisions	10%
Any other plant and machinery	10%
Furniture and fittings	10%
Armoured cars (used by companies which provide security services)	20%
Specialised machinery for the laying of railroads (e.g. Locomotive engines, Ballast wagon, Container wagon and container sleeper wagon)	20%
Wind power generators	10%
Photovoltaic systems	10%
Buildings	
Metallic frame of greenhouses	10%
Improving the energy efficiency of buildings (Note 4)	7%
Technical systems for improving energy efficiency of buildings, renewable energy systems and electric energy storage systems (batteries) (Note 4)	20%
Wooden frame of greenhouses	33,3%
Industrial, agricultural and hotel buildings (Note 2)	4%
Commercial	3%
Ships	
Steamships, tugboats and fishing boats	6%
Motor yachts	6%
Sailing vessels	4,5%
Ship launching machinery	12,5%
Used ships in accordance with special agreements	

New commercial vessels	8%
New passenger vessels	6%
Used commercial and passenger ships and capital additions	remaining useful economic life in accordance with the class certificate

Airplanes

New airplanes and helicopters	8%
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Tools

Tools (all tools in general)	33,3%
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Intangible assets

Intangible assets with some exemptions (Note 3)	5%-100%
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Notes

1. Plant and machinery acquired during the tax years 2012 - 2018 are eligible to accelerate tax depreciation at the rate of 20% (excluding such assets which are already eligible for a higher annual tax rate of tax depreciation).
2. In the case of industrial and hotel buildings which were acquired during the tax years 2012 - 2018, accelerated tax depreciation at the rate of 7% per annum may be claimed.
3. The capital cost of any intangible asset, excluding goodwill, is tax deductible as a capital allowance over the useful economic life of the asset, as determined by acceptable accounting principles (with a maximum useful life of 20 years).
4. Following the publication in the Government Gazette on 12 April 2024 of Law N.45(I)/2024, increased capital allowances will be granted on capital expenditure incurred during the tax years 2023-2026.

5. TRANSFER PRICING

Introduction

With effect as from 1 January 2022, transfer pricing documentation requirements have been introduced. The transfer pricing documentation compliance obligations include the preparation of Master File, Summary Table, Cyprus Local File and Minimum TP Documentation for Cyprus tax resident persons and PEs of non Cyprus tax resident persons situated in Cyprus that engage in transactions with related parties. A formal Advance Pricing Agreement (APA) procedure has also been introduced. Specific penalties for non-compliance with the new obligations are now in place.

Transfer Pricing Documentation TP Documentation File

Cyprus tax resident persons and PEs of non-Cyprus tax resident persons situated in Cyprus that engage in domestic and/or cross-border controlled transactions, subject to exemptions mentioned below, are required to prepare, on an annual basis, a Transfer Pricing Documentation File, which consists of the 'Master File' and the 'Cyprus Local File'.

The required contents of the Master File and Cyprus Local File closely follow the definition and suggested contents of Master File and Local File as per the OECD Transfer Pricing Guidelines (and BEPS Action 13 Report).

Exemptions

The following exceptions apply:

Master File: Only Cyprus tax resident entities that are the ultimate parent or surrogate parent entity of a multinational enterprise (MNE) group falling under the scope of country-by-country (CbC) reporting have an obligation to prepare and maintain a Master File. All other persons are exempt from this obligation.

Local File: Persons that engage in controlled transactions with arm's-length aggregate value more than the below thresholds, have the obligation to prepare a Cyprus Local File:

- a. Sale of Goods Transactions: Transactions with connected persons either exceed (or should have exceeded based on the arm's-length principle) the amount of EUR 5m;
- b. Financing Transactions: Transactions with connected persons either exceed (or should have exceeded based on the arm's-length principle) the amount of EUR 10m;
- c. All other Transactions: Transactions with connected persons either exceed (or should have exceeded based on the arm's-length principle) the amount of EUR 2.5m.

Quality Review

A person who holds a Practising Certificate from the Institute of Certified Public Accountants of Cyprus (ICPAC) or another approved by the Council of Ministers body of certified auditors in Cyprus is expected to perform a Quality Review of the Cyprus Local File.

Summary Information table

A Summary Table must be prepared by all taxpayers that engage in Controlled Transactions on an annual basis, disclosing details regarding such transactions, including the names and tax identification codes of the related counterparties, and the respective values per transaction category (sale/purchase of goods, provision/receipt of services, financing transactions, receipt/payment of IP licenses/royalties, others). The Summary Table must be submitted electronically together with the Income Tax return for the relevant tax year.

Transfer Pricing Documentation Reporting Deadlines

The TP Documentation File must be updated on an annual basis and include details regarding the impact of market fluctuations or other events on the information and analyses included therein. The TP Documentation File (consisting of the Master File and Local File as applicable) must be prepared and be subject to Quality Review (if necessary) on an annual basis, by the deadline of filing the Income Tax Return for the relevant tax year. The Transfer Pricing Documentation File needs to be retained in compliance with the general document retention obligations for tax purposes; however, it should be submitted to the Tax Authorities upon request (e.g. for the purpose of tax audit) and specifically within 60 days from the date of such request. Penalties shall be imposed for late or non filing.

Simplification Measures (safe harbor rates) for certain types of Controlled Transactions

The Cyprus Tax Department issued a Circular providing guidance to persons that are exempt from the obligation to prepare a Cyprus Local File, for maintaining Minimum TP documentation to support the arm's length nature of their related party transactions. The Circular introduces optional Simplification Measures for certain types of Controlled Transactions which fall outside the scope of Local File documentation.

Specifically, persons that engage in the following transactions:

- a. Financing granted to related parties financed by _ borrowings b. Financing granted to _ related' parties financed by _ equity c. Financing obtained from related parties to the extent it is used in the business
- d. Low Value Adding Services (received or provided) may elect to apply the Simplification Measures (safe harbor rates) for the pricing of the said Controlled Transactions.

It is important to note that the above Simplification Measures (safe harbor rates) cannot be applied, if the (arm's length) value of all the financial transactions (for application of measures (a)-(c)) or all services transactions (for application of measure (d)) of the taxable person exceed the TPS filing thresholds in each category .

The safe harbor rates are summarized in the table below:

Transactions eligible for safe Safe harbor rates harbor election

Loans or cash advances receivable Minimum return of 2.5% (after the from related parties which are funded deduction of allowable expenses) out of financial means

Minimum return should be equal to . the yield rate (as at 31 December of Loans or cash advances receivable the prior tax year) of the 10-year from related parties which are funded government bond of the country in out of own capital /equity which the borrower operates, increased by 3.5%

Cost of debt must not exceed the Loans payable to related parties to yield rate (as at 31 December of the the extent that the funds obtained prior tax year) of the 10-year are used in the business government bond of Cyprus,

Safe harbour rates

Transactions eligible for safe harbour election	Safe harbour rates
Loans or cash advances receivable from related parties financed through financial instruments	Minimum return of 2,5% (after deduction of allowable expenses)
Loans or cash advances receivable from related parties financed through equity/own funds	The minimum return should be equal to the yield rate (as at 31 December of the preceding tax year) of the 10-year government bond of the country in which the borrower operates, increased by 3,5%
Loans payable to related parties to the extent the funds received are used in the business	The cost of debt should not exceed the yield rate (as at 31 December of the preceding tax year) of the 10-year Cyprus government bond, increased by 1,5%
Low value-adding services	A 5% mark-up on the relevant costs

Persons that elect to apply the Simplification Measures (safe harbor rates) need to maintain documentation to support their eligibility and way of application of the measures.

6. SPECIAL MODES OF TAXATION

Pension income from services rendered abroad

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding Euros 3.420 per annum. The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above, or under the personal income tax rates.

Widow's pension

The widow's pension is taxed at a fixed rate of 20% for amounts exceeding Euros 22.000. The taxpayer can, however, on an annual basis, elect to be taxed at the normal tax rates.

Taxation of collective and horse racing bets

Every recipient of collective bets as well as the Horse Racing Authority pay bet taxes to the Republic in relation to the bets that they undertake.

The amount of tax, in every accounting period, amounts to 10% on the net receipts from bets in the corresponding period.

Net receipts from bets means the balance of the total amounts paid or payable, in the corresponding accounting period, in relation to the bets undertaken, after the deduction of the total winnings paid out.

Each calendar month represents an accounting period.

In the event of non-payment of the tax due an additional tax of 10% is imposed on the amount due.

Intellectual property rights and other similar income

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic, is subject to withholding tax at a rate of 10%.

Royalties received by a connected company registered in a European Union member State are exempt from tax (Subject to conditions).

Rights granted for use outside the Republic are not subject to any withholding tax.

Film royalties

The gross income derived by non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at a rate of 5%. Royalties received by a connected company registered in a European Union member State are exempt from tax (Subject to conditions).

Profits of professionals, entertainers, etc.

The gross income derived by a non-resident individual from the exercise in the Republic of any profession, vocation or public entertainment services including football teams and other athletic missions, is subject to a 10% withholding tax.

Profits from betting's of OPAP and Government lottery

Profits exceeding €5.000 from lucky ticket/lottery are taxed at the rate of 20%

Income from Oil & Gas related activities

The gross amount or other income derived from sources within the Republic by any person who is not resident in the Republic, which does not arise from a permanent establishment in the Republic, as consideration for services carried out in the Republic with respect to the extraction, exploration or exploitation of the continental shelf, subsoil or natural resources, as well as the installation and exploitation of pipelines and other installations on the ground, the seabed or above the surface of the sea, is subject to tax at the rate of 5%.

Technical assistance

The gross income arising from sources within the Republic, as consideration for technical assistance provided by any person who is not resident in the Republic, is subject to a 10% withholding tax. Such income is exempt from withholding tax if the services are provided by a permanent establishment in Cyprus.

Fines and penalties

Tax withheld on payments to non-Cyprus residents in relation to the below categories of income, should be paid to Tax Department by the end of the following month. In the case where the tax is not paid within the deadline, an additional penalty of 5% will be imposed on the tax withheld in addition to any interest that may be imposed.

Copyrights for use within Cyprus

Rights for cinematographic films

Income of an individual for professional services, artists, and athletes' fees

7. PROFITS FROM SHIPPING ACTIVITIES

The following are exempt from taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law:

- The income of a ship-owner of a Cyprus ship from the operation of such ship in any shipping activity between Cyprus and ports abroad or between ports abroad.
- The income of a person from the provisions of ship management services.
- Dividends paid to the shareholders of a company if these are paid out of profits earned from the operation of a Cyprus ship in shipping activities or from the provision of ship management services.
- Salaries and other benefits paid to the master, the officers, and the crew of a Cyprus ship.

For the purpose of the above-mentioned act, the term “ship owner” includes bareboat chartered, while the term “operation of ship” includes chartering of any form.

8. SPECIAL CONTRIBUTION FOR DEFENCE

All residents of the Republic are subject to defence contribution on the following sources of income. Non-residents are not subject to special defence contribution.

Rates

Dividends (Note 1) (*from 1/1/2026, the SDC rate on gross dividends received has been reduced from 17% to 5%) 5%
Interest income from "passive" activities (*from 1/1/2024 the SDC rate on interest income has been reduced from 30% to 17%)

Interest earned by an individual from Government Savings Certificates and from Government Bonds	3%
Interest earned by an approved provident fund	3%
Rental income less 25%	3%

Notes

1. Dividends - Exemptions:

- Dividends received from Cyprus tax resident companies out of profits earned up to 31 December 2025 remain taxed at 17% if the dividend is received on or before 31 December 2031.
- Applies to Cyprus tax resident individuals receiving dividends from (i) Cyprus tax resident companies, and (ii) non-Cyprus tax resident companies unless the individual benefits from the Non-domiciled (Non-dom) regime, in which case the dividends are not taxable (refer to section 8.2 below).
- dividends received by a company resident in the Republic or a company not resident in the Republic which maintains a permanent establishment in the Republic from a company which is non-resident in the Republic. The exemption does not apply if the company paying the dividends engages more than 50%, in activities which lead to investment income and the foreign tax burden on the income of the company paying the dividends is substantially lower than the tax burden of the company in Cyprus. (i.e 7.5%). When the exemption does not apply the SDC rate is reduced from the previous 17% tax on the gross dividend to 5% tax.

e@ dividends paid out of dividend income which has suffered income tax at source and are paid within a period of six years from the date of receiving such dividend income.

- dividends derived directly or indirectly from profits arising from operating a Cyprus flag ship, in the course of shipping activities, or from ship management services

2. Individuals Cyprus tax residents and Cyprus domiciled

As from 16 July 2015 individuals are subject to Special Contribution for defence (SDC) if they are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if he/she has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment. Anti- avoidance provisions apply.

In case where the non-dom exclusion from SDC ceased to apply, the exclusion from SDC may be extended for up to two five-year periods upon an upfront payment of a fee of €250k per five-year period.

Deemed dividend distribution

The deemed dividend distribution (DDD) rules are abolished for profits earned as from 1 January 2026 onwards by Cyprus tax resident companies.

The following is valid for shareholdings held on or before 31 December 2025 in respect to the corresponding profits which are taxed under DDD:

A company resident in the Republic is deemed to have made a distribution of 70% of its profits in the form of dividends after deducting corporation tax, special defence contribution, capital gains tax and any tax paid abroad that

has not been credited against any tax payable for the relevant year, at the end of the two years from the end of the tax year in which the profits relate. This deemed distribution is subject to 17% defence contribution to the extent the company's shareholders are Cyprus tax residents, companies or physical persons, as well as 2.65% General Healthcare (GHS) Contribution in the case where the shareholders are physical persons which are also Cyprus tax residents.

In arriving at the amount of the deemed distribution, any actual dividend which is distributed during the two-year period from the end of the tax year in which the profits relate is deducted.

In cases where an actual dividend is paid after the two-year period, any deemed distribution reduces the actual dividend on which the defence

contribution is withheld.

For calculating the amount of the deemed distribution, "profits" mean the accounting profits arrived at using generally acceptable accounting principles, but after the deduction of any transfers to reserves, as required by any law. Any offset of group losses, as well as any amounts, including any additional depreciation, which emanate or are the result of revaluation of movable and immovable property, are ignored.

The deemed distribution provisions for special defence contribution do not apply to profits which relate to non-resident or non-domiciled shareholders.

The concept of 'dividend'

The concept of dividend received is expanded and includes the below in addition to 'normal' dividends:

Company assets distributed to the shareholder, upon any of the following:

- Capital reduction;
- Dissolution;
- Liquidation;
- Redemption of shares in open-ended or closed-ended collective investment companies (unlike the other types this applies from 1 January 2031 onwards).

In such cases the amount of the dividend is the Market

Value of the asset reduced by the amount of:

Capital actually paid to the company by the shareholder and not previously reduced;

- CGT (if any) paid on such assets; and
- Disguised dividend (if any) already recognised for such asset.

Increasing a company's issued capital by capitalisation of distributable reserves.

In such a case the dividend is amount of the increase in issued capital.

These apply to Cyprus tax resident individuals and Cyprus tax resident companies (or Cyprus permanent establishments of foreign companies) receiving dividends from:

- Cyprus tax resident companies, and

- Non-Cyprus tax resident companies only in cases where a 'normal' dividend received would have been subject to SDC.

This widened concept of dividends does not apply to dividends paid from Cyprus tax resident companies that fall within the blacklist' jurisdictions (BLJ) and low tax jurisdictions (LTJ) provisions.

Interest income

Interest income received by Cyprus tax Resident companies is no longer subject to defence tax. It will be in all cases only subject to Corporate Income Tax (CIT) except for the following:

Interest received by eligible religious, charitable or educational institutions of a public nature or any eligible company established for the promotion of art, science or sports, whose interest income is exempt from CIT, is subject to SDC at the rate of 17% on the gross interest received/credited (unless it is earned on certain Cyprus/EU government/local authority securities or certain listed securities in which case the rate of SDC is 3%).

Interest income received by individuals is not subject to tax and is subject to SDC at the rate of 17% on the gross amount of the interest received/credited (unless it is earned on certain Cyprus/EU government/local authority securities or certain listed securities, or total annual income including interest, does not exceed €12,000, in which case the rate of SDC is 3%).

Interest that is received as a result of the carrying on of a business activity, including interest closely connected to the ordinary activities of the business, is not considered interest for special defence contribution purposes.

Rental income

Companies, partnerships, the Government, and any local authority that pay rent, have the obligation to withhold special defence contribution on 75% of rental income and pay 3% special defence contribution which is payable by the end of the following month. As from 1/1/2026 Rental income is no longer subject to defence tax. As per the Cyprus Tax reform package, it will only be subject to Corporate Income tax for companies and Income Tax for individuals.

Tax credit for foreign tax paid

Any tax suffered abroad on income which is subject to special defence contribution will be credited against any defence contribution payable on such income irrespective of the existence of a double taxation treaty.

9. MAINTENANCE OF ACCOUNTING BOOKS AND RECORDS

Every person (individual, company, or partnership) deriving income (including dividends and interest) from commercial or industrial business, profession or vocation, or any other occupation or from property (such as leasing or rental) must:

- issue invoices in relation to transactions and receipts, as specified by Regulations issued by the Council of Ministers and published in the Cyprus Gazette and
- Issue invoices within 30 days from the date of the transaction
- Maintain accounting books and records and prepare accounts in accordance with acceptable accounting standards, that are audited in accordance with acceptable auditing standards, by a person that is eligible to act as an auditor of a company in accordance with the Companies Law.
- An individual is obliged to prepare financial statements where the annual turnover exceeds the amount of €120.000.
- Update books and records within four months from the date of the transaction
- Carry out a stock take during the year end and the results of the stock take should be made available to the commissioner if requested
- As from 1. January 2026, documentation supporting tax returns and books & records shall be kept for a period of 6 years from the submission deadline of the tax return or the submission deadline of the amended tax return, or the submission date of the tax return or the submission date of the amended tax return, whichever date is later.
- Rent payments for immovable property located in Cyprus must be made exclusively through one of the following methods: a) Bank Transfer b) Debit or Credit card payment c) Any other recognized electronic payment method Rent recipients are prohibited from accepting rent payments by any other means outside those specified above

10. POWERS OF THE COMMISSIONER OF TAXATION

1. The Commissioner of Taxation is authorized to collect and process personal data in exercising his powers under the law, including accessing data from various sources using automated systems and profiling techniques.

2. The Commissioner of Taxation has the right to issue an assessment within the tax year or within 6 years from the date of the submission of the tax return or the date of the submission of the amended tax return, for the relevant tax year, whichever of the two dates is later.

3. The Commissioner of Taxation has the authority to suspend business operations and seal the premises of an enterprise if certain serious tax- related violations occur, including:

- failure to submit required tax returns (income tax, withholding tax, VAT) for specified periods on or after 1 January, 2027;
- failure to pay taxes, contributions, or VAT exceeding EUR 20k. The amount of tax due must be considered final (i.e. when there are no actions that can be taken from an administrative law point of view to challenge the said amount).
- issuing inaccurate or failing to issue required tax invoices or receipts.
- obstructing tax audits.

4. If a person owes tax exceeding EUR100k and fails to pay within 30 days of the due date (excluding cases with ongoing disputes, instalment agreements, or waivers), the Commissioner of Taxation can register a memo over the person's shares as security for the debt, up to double the owed amount including interest and charges

11. MANDATORY DISCLOSURE RULES (DAC6)

General overview

The provisions of the EU Council Directive 2018/822, known as “DAC6”, are effective since 1 January 2021 through the amending Law on Administrative Cooperation in the field of taxation of 2021. The Cyprus DAC6 Law is broadly aligned with the Directive, which is intended to increase transparency in the area of direct taxation, with a view of combating tax avoidance and tax evasion in the EU. The Cyprus Tax Authorities (CTA) have also issued guidance, in the form of a Decree, which provides clarifications on the main provisions of the Law and its practical application.

DAC6 relates to the mandatory automatic exchange of information of certain cross-border arrangements which is intended to increase transparency in the area of direct taxation, with a view of combating tax avoidance and tax evasion in the EU.

The provisions of DAC 6 apply to all kind of direct taxes. Indirect taxes such as VAT, customs, excise duties and social security contributions are excluded.

Cross border arrangement

It is an arrangement that concerns more than one EU Member State or an EU Member state and a third country. The ‘cross border arrangements’ that are considered reportable are those that meet certain criteria (i.e. Hallmarks) which indicate that aggressive tax planning may have taken place.

Disclosure requirement

The Cyprus DAC6 Law requires from intermediaries and relevant taxpayers to submit information to the CTA, in respect of cross border arrangements that meet at least one of the “hallmarks”, as outlined in the Law.

Hallmarks

Represent the reporting triggers that indicate when information concerning a cross border arrangement must be submitted to the CTA.

EU Intermediary

An “Intermediary” is:

- Any person that designs, markets, organizes, makes available for implementation or manages the implementation of a “reportable cross- border arrangement” (a “primary intermediary”); or,
- Any person that knows or could be reasonably expected to know (based on facts, circumstances, available information and _ the- relevant expertise/understanding that they have) that they have undertaken to provide, 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 a “reportable cross- border arrangement” (a “secondary intermediary”).

EU Taxpayer

A “Taxpayer” is any person:

- To whom a “reportable cross-border arrangement” is made available for implementation; or,
- Who is ready to implement a “reportable cross-border arrangement”; or,
- Who has implemented the first step of a “reportable cross-border arrangement”. The taxpayer must

be linked to an EU Member State (i.e. tax resident, permanent establishment, income/profits from EU Member State, activity in an EU Member State).

Obligation to report

The obligation to report lies with the Intermediary, unless any one of the following conditions is met:

- The EU Intermediary is protected by professional secrecy (i.e. legal professional privilege); or,
- The reportable cross-border arrangement was designed in-house; or,
- The Intermediary does not have a nexus with the EU. If an Intermediary does not have an obligation to report, the disclosure obligation is shifted to the relevant Taxpayer (or any other Intermediary that provided assistance for the implementation the arrangement). The deadline for reporting by primary intermediaries and taxpayers is within 30 days from:
 - The day after the reportable cross-border arrangement is made available for implementation; or,
 - The day after the reportable cross-border arrangement is ready for implementation; or,
 - When the first step of implementation has been made; whichever occurs first.

Deadline for reporting

The deadline for reporting by secondary intermediaries is within 30 days of the day after they provided aid, assistance or advice with respect to a reportable arrangement.

Administrative fines

Penalties for non-compliance vary depending on the type of infringement; with a maximum of €20.000 per arrangement.

12. MANDATORY DISCLOSURE RULES FOR DIGITAL PLATFORM OPERATORS (DAC7)

The provisions of the EU Council Directive 2021/514 regarding the mandatory exchange of information in relation with the cross-border and non-cross-border transactions of platform operators, known as “DAC7”, have been transposed to domestic legislation through the amending Law on Administrative Cooperation in the field of taxation of 2023.

The Cyprus DAC7 Law is broadly aligned with the Directive, which is intended to enhance transparency and ensure fair taxation in the digital economy.

- **Scope of Reporting:** the reporting rules for platform operators apply in respect of platforms that allow sellers to connect with customers for: - the rental of immovable property, including both residential and commercial property, as well as any other immovable property and parking spaces, - the provision of personal services (time or task based work carried out either online, or physically offline after having been facilitated via a platform), - the sale of goods, and - the rental of any mode of transport.
- **Reporting Obligation:** Platforms are required to collect and verify information from sellers, including identification and financial details.
- **Exchange of Information:** Member States must automatically exchange the relevant information with the tax authorities where the sellers are resident.
- **Due Diligence Requirements:** Platforms must exercise due diligence to accurately report information, ensuring compliance with tax regulations.
- **Penalties for Non-Compliance:** Penalties for non-compliance vary depending on the type of infringement, with a maximum of €20.000 per arrangement

13. CAPITAL GAINS TAX

Capital Gains Tax is imposed on gains from disposal of immovable property situated in the Republic including shares of companies not listed on a recognized Stock Exchange which own immovable property situated in the Republic, at the rate of 20%.

In computing the capital gain the value of the immovable property as at 1 January 1980 (or cost if the date of acquisition is later), the cost of any additions after 1 January 1980 or the date of acquisition if later, any expenditure incurred for the production of the gain and the indexation allowance, are deducted from the sale proceeds.

Exemptions

The following disposals of immovable property are exempt from capital gains tax:

- Subject to conditions, land as well as land with buildings, acquired in the period from 16 July 2015 up to 31 December 2016 will be exempted from Capital Gains Tax upon its disposal

- transfer on death

-gifts between spouses, parents and children and relatives up to third degree - gift to a company whose shareholders are members of the donor's family and continue to be members of the family for a period of five years from the date of the gift

-gift by a family company to its shareholders, if the company had also acquired the property in question via donation and provided the property remains in the possession of the shareholder for at least three years.

- gifts to charitable organisations or the Republic

-exchange or disposal under the Agricultural land (Consolidation) Laws

-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

- expropriations

-transfer of ownership or share transfers in the event of company re- organisations.

Principal residence (the exemption applies up to 31 December 2017 (subject to conditions)

- transfer under a qualifying loan «Restructuring»

- in cases of land for apartment/land for development exchange, subject to certain conditions.

On the sale of shares listed on a regulated market of a recognized stock exchange.

On the sale of shares listed on an unregulated market of a recognized stock exchange, provided that the total value of all such disposals in a calendar year does not exceed EUR 50k.

Deductions

Individuals are entitled to deduct from gains the following lifetime amounts:

	€
On the sale of a private residence (subject to conditions)	150.000
On the sale of agricultural land by a farmer	50.000
On other sales	30.000

The above deductions are given only once and not for every disposal. An individual claiming a combination of the above, is allowed to a maximum exemption up to €150.000.

Penalties for taxpayers failing to meet their obligations which are either fixed ranging between EUR 250 to EUR 2.000 (in case that taxpayers fail to meet some of their obligations) or on the basis of percentages for failing to pay outstanding taxes (5% initially plus an additional 5% if payment is delayed by more than two months). The Commissioner of Taxation reserves the right to increase penalties for non-compliance if this persists after a written notice is issued.

Levy of 0,4% on Immovable property disposals in Cyprus

For the purposes of providing financial support to the owners of immovable property that is inaccessible or its economic exploitation is practically or legally impossible as a result of the Turkish invasion, as of 22 February 2021 a levy of 0,4% is imposed as follows:

(a) on the sale of immovable property, for which a general value has been determined by the Department of Lands and Surveys, the seller shall pay a levy equal to a percentage of 0,4% of the sale proceeds; and

(b) on the sale of shares of a company, which is not listed on a recognized Stock Exchange, and which directly or indirectly owns immovable property for which a general value has been determined by the Department of Lands

and Surveys, the seller shall pay a levy equal to a percentage of 0,4% on the latest valuation of the immovable property by the Department of Lands and Surveys, corresponding to the shares of the company that are being sold.

14. DOUBLE TAX TREATIES

The following tables and accompanying notes show the rates of withholding tax deducted from income, for income between Cyprus and countries with which a relevant treaty has been concluded. The numbers in brackets refer to the notes at the end of this section. Order of rates: Dividends / Interest / Royalties.

Received in Cyprus

Country	Dividends %	Interest %	Royalties %
Andorra	0	0	0
Armenia	0(32)	5(33)	5
Austria	10	0	0
Azerbaijan (27)	0	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belarus	5(4)	5	5
Belgium	10(1)	10(16)	0
Bosnia (28)	10	10	10
Bulgaria	5(19)	7(25)	10(20)
Canada	15	15(8)	10(11)
China	10	10	10
Czech Republic	0(30)	0	10
Denmark	0(34)	0	0
Egypt	5(48)	10	10
Estonia	0	0	0
Ethiopia	5	5	5
Finland	5(37)	0	0
France	10(7)	10(9)	0(26)
Georgia	0	0	0
Germany	5(2)	0	0
Greece	25	10	0(12)
Guernsey	0	0	0
Hungary	5(1)	10(8)	0
Iceland	5(39)	0	5
India	10	10(8)	10
Iran	5(19)	5	6

Ireland	0	0	0(12)
Italy	15	10	0
Jersey	0	0	0
Kazakhstan	5(46)	0(47)	10
Kuwait	0	0	5(14)
Kyrgyzstan (27)	0	0	0
Latvia	0(42)	0(42)	0(43)
Lebanon	5	5(16)	0
Lithuania	0(40)	0	5
Luxembourg	0(35)	0	0
Malta	0(22)	10(8)	10
Mauritius	0	0	0
Moldova	5(19)	5	5
Montenegro (28)	10	10	10
Norway	0(3)	0	0
Poland	0(36)	5(8)	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10(8)	5(14)
Russia (31)	15(49)	15(50)	0
San Marino	0	0	0
Saudi Arabia (31)	0(44)	0	5(45)
Serbia (28)	10	10	10
Seychelles	0	0	5
Singapore	0	10(23)	10
Slovakia (29)	10	10(8)	5(14)
Slovenia	5	5(33)	5
South Africa	10(41)	0	0
Spain	0(35)	0	0
Sweden	5(1)	10(8)	0
Switzerland	0(38)	0	0
Syria	0(1)	10(8)	15(13)
Thailand	10	15(17)	5(18)
USA	5(5)	10(10)	0
Ukraine	5(21)	5	5(15)

United Arab Emirates	0	0	0
United Kingdom (26)	0(24)	0	0
Uzbekistan (27)	0	0	0

Paid from Cyprus

Country	Dividends %	Interest %	Royalties %
Non-treaty countries	0	0	0(**)
Andorra	0	0	0
Armenia	0(32)	5(33)	5
Austria	10	0	0
Azerbaijan (27)	0	0	0
Bahrain	0	0	0
Barbados	0	0	0
Belarus	5(4)	5	5
Belgium	10(1)	10	0
Bosnia (28)	10	10	10
Bulgaria	5(19)	7(25)	10
Canada	15	15(8)	10(11)
China	10	10	10
Czech Republic	0(30)	0	10
Denmark	0(34)	0	0
Egypt	5	10	10
Estonia	0	0	0
Ethiopia	5	5	5
Finland	5(37)	0	0
France	10(7)	10(9)	0(26)
Georgia	0	0	0
Germany	5(2)	0	0
Greece	25	10	0(12)
Guernsey	0	0	0
Hungary	5	10(8)	0
Iceland	5(39)	0	5
India	10	10(8)	10
Iran	5(19)	5	6
Ireland	0	0	0(12)
Italy	0	10	0

Jersey	0	0	0
Kazakhstan	5(46)	0(47)	10
Kuwait	0	0	5(14)
Kyrgyzstan (27)	0	0	0
Latvia	0(42)	0(42)	0(43)
Lebanon	5	5(16)	0
Lithuania	0(40)	0	5
Malta	15	10(8)	10
Mauritius	0	0	0
Moldova	5(19)	5	5
Montenegro (28)	10	10	10
Norway	0(3)	0	0
Poland	0(36)	5(8)	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10(8)	5(14)
Russia (31)	15(49)	15(50)	0
San Marino	0	0	0
Saudi Arabia (31)	0(44)	0	5(45)
Serbia (28)	10	10	10
Seychelles	0	0	5
Singapore	0	10(23)	10
Slovakia (29)	10	10(8)	5(14)
Slovenia	5	5(33)	5
South Africa	10(41)	0	0
Spain	0	0	0
Sweden	5(1)	10(8)	0
Switzerland	0(38)	0	0
Syria	0(1)	10(8)	15(13)
Thailand	10	15(17)	5(18)
USA	0	10(10)	0
Ukraine	5(21)	5	5(15)
United Arab Emirates	0	0	0
United Kingdom (26)	0(24)	0	0
Uzbekistan (27)	0	0	0

Notes

1. 15% if received by a company controlling less than 25% of the voting power.
2. 5% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
3. NIL if the beneficial owner is a company (other than a partnership) holding at least 10% of the capital of the company paying the dividend. 15% in all other cases.
4. 5% if the amount invested by the beneficial owner is over €200,000 irrespective of the % of voting power acquired. 10% is imposed if received by a holder of at least 25% of the share capital of the paying company. Otherwise, the rate is 15%.
5. 5% if received by a company controlling at least 10% of the voting power. 15% in all other cases.
6. 10% if received by company, which has invested less than €100,000.
7. 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
8. NIL if paid to the Government of the other State.
9. NIL if paid to the Government of the other State or in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank or is guaranteed from government or other governmental organization.
10. NIL if paid to the Government of the other State, to a bank or a financial institution or in respect to debt obligations arising in connection with sale of property or the provision of services.
11. NIL on literary, dramatic, musical or artistic work with the exception of films used for television programs.
12. 5% on film royalties (except films shown on TV).
13. 10% on literary, musical, artistic work, films and TV royalties.
14. NIL on literary, artistic or scientific work including films.
15. 5% on royalty payments in respect of any copyright of scientific work any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% in all other cases.
16. NIL if paid to the Government of the other State, a political subdivision or a local authority, the National Bank or any institution the capital of which is wholly owned by the State or a political subdivision or a local authority or in the form of interest income from bank deposits.
17. 10% on interest received by financial institutions, on interest paid in connection with industrial, commercial, scientific equipment or the sale or merchandise between two companies.
18. 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.
19. 5% if the dividend is received by a company owning directly at least 25% of the capital of the company paying the dividend. 10% in all other cases.
20. This rate does not apply, where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus company pays less than the normal rate of tax.
21. 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company or has invested in the acquisition of shares or other rights of the dividend paying company of at least €100,000. 15% in all other cases.
22. The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid.
23. 7% if paid to a bank or similar financial institution. NIL if paid to the government.
24. 15% if dividends are paid out of income derived from immovable property or certain investment vehicles.
25. NIL if paid to or is guaranteed by the government, statutory body, the Central Bank.
26. A withholding rate of 5% on cinematographic film royalties, including films and video tapes for television.
27. The treaty between the Republic of Cyprus and the United Soviet Socialist Republic still applies.
28. The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies.
29. The treaty between the Republic of Cyprus and the Czechoslovak Socialist Republic still applies.
30. Nil if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends where such holding is being possessed for an uninterrupted period of not less than one year. 5% in all other cases.
31. The new treaty is effected on the 15 of January 2021.
32. 5% if the beneficial owner has invested in the capital of the company less than the equivalent of €150,000 at the time of the investment.
33. Nil if paid to the Government or to a local authority, or to the Central Bank.
34. Nil if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of not less than 12 months. Nil if the beneficial owner is the other Contracting State or the Central Bank of that other State, or any national agency or any other agency (including a financial institution) owned or controlled by the Government of that other State. Nil if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognized for tax purposes and controlled in accordance with the laws of that other State. 15% in all other cases.
35. Nil if the dividend is received by a company (other than a partnership) holding at least 10% of the capital of the dividend paying company. 5% in all other cases.

36. Nil if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of no less than 24 months. 5% in all other cases.
37. 5% if the dividend is received by a company (other than a partnership) which controls directly at least 10% of the voting power in the company paying the dividend. 15% in all other cases.
38. NIL if the beneficial owner is: * a company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year. * a pension fund or other similar institution recognized as such for tax purposes, or * the Government, a political subdivision, local Authority or Central Bank of one of the two contracting states. 15% in all other cases.
39. 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. 10% at all other cases.
40. NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. 5% at all other cases.
41. 5% if the dividend is received by a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.
42. NIL if the beneficial owner is a company (other than a partnership). 10% in all other cases.
43. NIL if the beneficial owner is a company (other than a partnership). 5% in all other cases.
44. NIL if the beneficial owner is a company which holds directly or indirectly at least 25% of the capital of the company paying the dividends. 5% in all other cases.
45. 5% on royalties for the use of, or the right to use, industrial, commercial or scientific equipment. 8% in all other cases.
46. 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. 15% in all other cases.
47. NIL if the beneficial owner of the interest is the Government of the other contracting state or a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other contracting state. 10% in all other cases.
48. A withholding rate of 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the company paying the dividends throughout a 365 day period that includes the day of the payment of the dividend. 10% in all other cases.
49. A withholding rate of 5% applies if the beneficial owner of the company is an insurance undertaking or pension fund, or a company whose shares are listed in a registered stock exchange, provided no less than 15% of the voting shares of that company are in free float, and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period, including the day of the dividend payment, or if the beneficial owner is the government of the contracting state or a political subdivision or local authority.
50. A withholding rate of 0% applies on interest if the beneficial owner is an insurance undertaking or a pension fund, the Government of the contracting state, a political subdivision, a local authority, the Central Bank of the contracting state or a bank. A withholding rate of 0% also applies on interest paid in respect of securities that are listed on a recognized stock exchange (government bonds, corporate bonds, Eurobonds). 15% applies in all other cases.

15. TAX DIARY

Please note that the deadlines below might change due to the current economic circumstances. Taxpayers are recommended to monitor developments.

End of each month

- Payment of tax deducted from employees' salaries (P.A.Y.E.) for the previous month
- Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month
- Social Insurance and GHS contributions relating to salaries of the previous month
- Payment of Special Defence Contribution and GHS contribution withheld from dividends, interest and rents (companies, partnerships, the Republic of Cyprus and Local Authorities have an obligation to withhold defence contribution on rents paid) during the previous month
- Submission of forms T.D.602 - Declaration of withheld Special Defence Contribution/GHS from Interest and T.D.603 - Declaration of withheld Special Defence Contribution/GHS from Dividends, relating to withholdings for the previous month.

Within 60 days from the date of issue of the assessment

- A person has sixty (60) days from the date of issue of the tax assessment to submit an objection. Where the tax assessment is issued within December, the objection may be submitted at the latest by the end of February of the following year.

Within 60 days from the change

- Notification to the Tax Department of any change in tax information

Within 30 days for a reportable cross-border arrangement

- Mandatory Disclosure Rules (DAC6) reporting for intermediaries and relevant taxpayers through the Government Portal 'Ariadni'

31 January

- From 2026, the deadline for the submission of the income tax return (T.D.4) and payment of final tax for companies and/or individuals (T.D.1) who have an obligation to prepare accounts will be 31 January 2028.
- Submission of the deemed dividend distribution declaration (T.D.623) for the tax year 2023

28 February

- Submission of objections for tax assessments issued during December 2025

31 March

- Electronic submission of income tax return by individuals and companies preparing audited financial statements (T.D.1/T.D.4)
- Electronic submission of the employer's return and employees' details (T.D.7)

30 April

- Payment of the first instalment of the premium tax for life insurance companies

30 June

- Payment of GHS contribution on rents, dividends and interest through self-assessment, for the first half of 2026

31 July

- Electronic submission of the personal income tax return and payment of the corresponding tax through self-assessment for 2025 by employees, pensioners and self-employed persons without an obligation to submit audited financial statements (T.D.1)
- Submission of the provisional tax assessment and payment of the first instalment of provisional tax for 2026, by individuals and companies
- For companies incorporated or registered in the Republic and/or individuals who commenced earning income other than salaries after 30 June of any year, the provisional tax computation for the relevant year must be submitted by 31 December of that year.

1 August

- Payment of the previous year's income tax through self-assessment, by individuals and companies preparing audited financial statements.

31 December

- Payment of the second and final instalment of provisional tax for the current year
- Payment of GHS contribution on rents, dividends and interest through self-assessment, for the second half of 2026

Obligation for the filing of Tax returns

The following have an obligation to submit a tax return:

Cyprus tax resident individuals if:

- they have gross income as defined by the Income Tax Law during that year; and/or
- they are aged between 25 and 70 years old on 31 December of the tax year, regardless of whether they earned taxable income during the year.
- Non-Cyprus tax resident individuals with income subject to tax in Cyprus.
- Cyprus tax resident companies.
- Non-Cyprus tax resident companies with income subject to tax in Cyprus, unless their gross income, in its entirety, has been subjected to withholding tax in Cyprus under article 24 of the Income Tax Law.

Decrees may regulate exceptions from the obligation of filing returns and/or regulate different filing and payment deadlines.

Submission of returns and payment of taxes by electronic means

Every person (individual or company) who has an obligation to submit a tax return under the relevant provisions must do so electronically, except for amended returns.

From the 2018 tax year onwards, an amended tax return may be submitted within three years from the original submission deadline, and only using forms T.D.1AN2020 for individuals and T.D.4AN2020 for companies.

Tax payments can only be made electronically through the Tax Portal or JCC Smart, as applicable; overdue payments can only be made through the Tax Portal.

Public interest rate

The level of the public interest rate is determined annually by decree and is imposed for each completed month of delay. From 1.1.2026 it is 3,5%, compared to 5,5% in 2025.

16. VALUE ADDED TAX

Value Added Tax is imposed on the provision of goods and services in Cyprus and on the importation of goods from third countries, by a person subject to the tax.

Rates

Category	Rate
Standard	19%
Reduced	9%
Reduced	5%
Reduced	3%
Zero	0%

Standard rate 19%

The standard rate applies to the provision of goods and services in Cyprus not subject to the zero rate, the reduced rate or are not exempt.

Reduced rate 9%

- All restaurant catering services (including the supply of alcoholic drinks, beer and wine and soft drink).
- Accommodation in hotels, tourist lodgments and any other similar lodgments including the provision of holiday lodgments.
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and by tourist and intercity buses.
- Movement of passengers in inland waters and their accompanying luggage.
- Provision of services and supply of goods by nursing homes, which are not exempt transactions.

Reduced rate 5%

The supply of foodstuff

- The supply of prepared or unprepared foodstuff and/or beverages (excluding alcoholic drinks, beer, wine and soft drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- The supply of animals used for the preparation of food

Books, newspapers and magazines

- Entry fees to theaters, circus, festivals, luna parks, concerts, museums etc.
- Entry fees at sports events and fees for using athletic centers Hairdressing services
- Supply of catering services from school canteens
- Renovation and repair of private households after three years of first residence (see details below)
- Acquisition or construction of residence, subject to conditions (see details below)

Reduced rate 3%

- Books, newspapers, and periodicals (including those in electronic formats)
- Audiobooks for disabled persons.
- = Special lifting appliances, | wheelchair-type buggies and other vehicles for disabled persons.
- ~ = Certain orthopaedic items and appliances; splints, supports, and other fracture items and _ devices; certain prosthetic items; and certain devices to facilitate hearing and other medical devices or implants.
- Street cleaning, refuse collection, and waste treatment services, other than the supply of such services by _ public authorities, local authorities, and bodies governed' by public law.
- Disposal and treatment of wastewater and evacuation of septic and industrial tanks.
- — Right of entry from the first performance of theatrical performances of musical and dance works of classical works.
- Waste collection and treatment cleaning services, except those provided

by State Authorities, Local Government Authorities and public law organizations.

Zero rate 0%

Exportation of goods

Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities

Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes

Supply of services to meet the direct needs of sea going vessels and aircrafts

Transportation of passengers from the Republic to a place outside the Republic and vice versa using a sea going vessel or aircraft

Supplies of gold to the Central Bank of the Republic

International passenger transportation to the extent it takes place within Cyprus territory.

Furthermore, the following goods are temporarily subject to 0% VAT until 31 December 2025:

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

Exemptions

Exempt supplies include:

Rental of immovable property for private residence

Financial services

Hospital and medical caring services

Postal services

Insurance services

Disposal of immovable property where the application for building permission has been submitted prior to 1 May 2004.

Education at all levels.

Irrecoverable input VAT

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- acquisitions used for making exempt supplies;
- purchase, import or hire of saloon cars;
- entertainment and hospitality expenses (except those relating to employees and directors).

Imposition of 19% VAT on leasing and / or letting of immovable property for business purposes

As from 13 November 2017, VAT at 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, commencing on/or after 13 November 2017.

The leasing of buildings used as residences remains an exempt transaction for VAT purposes.

The lessor has the right to notify the Tax Commissioner by submitting a relevant form, to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notification of the Tax Commissioner.

The initial decision of the lessor, to opt for the non-imposition of VAT of the immovable property is irrevocable.

Repossession of immovable property by financial institutions

VAT must be accounted under the reverse charge provisions on transactions relating to transfers of immovable property during the process of loan restructuring and for compulsory transfer to the lender, as from 2 January 2018. As from 5 December 2019, the definition of the term 'lender' includes licensed credit and financial institutions, credit acquiring companies, including their subsidiaries, as well as a public body or any licensed company which acquired/received from a credit institution any non-performing/overdue loans. This provision is effective until 31 December 2020.

Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are

considered to be supplies of goods. They also become subject to VAT at the standard rate.

Imposition of 19% VAT on non-developed building land

As from 2 January 2018, VAT at 19% is imposed on the transfer of non-developed building land. Specifically, VAT is imposed on the transfer of ownership, transfer of indivisible land portion, transfer of ownership under a sale agreement or an agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the right to buy non-developed building land which is intended for the construction of one or more structures in the course of

carrying out a business activity.

Non-developed building land includes all non-developed land plots that are intended for the construction of one or more structures. In the above definition

is included non-developed building land that is either covered or not from the water supply and cover land plots of all sorts as listed below:

Land plots under development

Finished land plots

Land plots with a final approval certificate or,

Land plots with land title

Other types of land plots are also included in the list of non-developed building.

Reduced rate 5% for purchase / construction of permanent residence

From 1 October 2011 a new reduced VAT rate applies, of 5 percent (5%) for the purchase / construction of permanent residence.

Residences bought or constructed prior 1 October 2011 are still regulated by the Law of Sponsorships.

The follow conditions apply for the imposition of the reduced VAT rate:

- The application of Town Planning permission / building permit should be submitted to the relevant Authorities after 1.5.2004.
- The residence must be used as primary / permanent place of residence.
- Total area of the residence must not exceed 275 sq. m. The reduced 5% VAT rate is imposed only on the first 200 sq. m.

As from 18 November 2016 the reduced rate of 5% applies for the first 200 square meters of the residence's buildable area as determined by the building coefficient and not on the first 200 square meters of a residence which does not exceed 275 square meters as was the case up until 17 November 2016.

In case of families with more than 3 children the allowable total covered area increases respectively.

Imposition of the reduced rate of 5% on the renovation and repair of private residential homes

The reduced rate of 5% on the renovation and repair of private residential homes applies to all the residential homes (and not only to the main and permanent place of residence applied as of 3/12/2015). The renovation and repair consist of plumbing, electrical, carpentry, painting, building, and construction work excluding the value of the materials exceeding the total value of the services provided.

As from 20 August 2020, the reduced rate of 5% also applies to such services provided for the purposes of making additions to private residences. It applies in cases where at least three years have passed since the first use of the private residence. In cases that the value of the materials exceeds the total value of the supply by more than 50%, the value of the materials is subject to the standard rate of VAT.

VAT treatment of vouchers

A voucher is an instrument (whether in physical or in electronic form) which contains an obligation to accept it as consideration, or partial consideration, for a supply of goods or services. It does not include discount vouchers, an instrument functioning as ticket or postage stamps. As per the legislative provisions, two types of vouchers exist, namely "single-purpose" and "multi- purpose" vouchers and the timing at which VAT is accounted for differs.

"Single-purpose" vouchers

A "single-purpose" voucher is a voucher with respect to which the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher. The VAT due on the underlying goods and services is due at the time of issue of the voucher, as well as at the point in time of any future transfer of the voucher if that transfer is effected for consideration.

"Multi-purpose" vouchers

A "multi-purpose" voucher is a "voucher other than a single-purpose voucher".

The VAT due on the underlying goods and services is accounted for at the time of redemption of the voucher while at the time of issue or during any subsequent transfer of the voucher prior to its redemption, there is no supply from a VAT perspective.

Registration to VAT

Every individual or company is obliged to register:

- (a) at the end of any month, if the value of taxable supplies recorded in the last 12 months exceeds €15.600 or
- (b) at any point in time the value of taxable supplies is expected to exceed €15.600 in the next 30 days or
- (c) provides services to a VAT registered person within European Union with nil registration threshold or
- (d) is involved in the acquisition of goods from other EU Member States (relates to persons who offer exempt supplies of goods and services or are not profitable organizations with registration threshold of €10.250) or
- (e) offers distant sales with registration threshold of €35.000 or
- (f) offers zero rated supplies of goods or services or
- (g) receives services for which applies the reverse charge by the recipient (registration threshold for services received €15.600)
- (h) acquires a business on a going concern basis
- (i) as from 1st August 2020, non-established in Cyprus persons (legal entities or individuals), who are engaged in taxable activities in Cyprus, are obliged to register for VAT purposes (no threshold exists)

Right for registration

Persons who trade outside the Republic, in goods and services which would have been taxable if they were provided within the Republic, groups of companies and divisions of companies.

VAT returns and payment of VAT

Any registered person must submit to the VAT Commissioner a VAT return not later than the 10th day from the end of the month following the end of each VAT period and pay the VAT due.

Payment of the VAT due can be made at Commercial banks, by bank transfer to the Central Bank, as well as via the “Internet Banking” platform of selected banking institutions.

All taxable persons must submit their quarterly VAT returns online, via the Tax for All (TFA) platform.

Every taxable person who makes a claim for VAT refund will be entitled to repayment of the VAT amount with interest in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Commissioner, the time period of four months is extended to eight months.

VAT refunds are made via bank transfer.

Regarding VAT refunds:

- 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.

- VAT refund applications cannot be submitted after six years from the end of the relevant tax period.

Obligation for customer to account for VAT for the acquisition of certain high value goods

As from 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 Article 11E of the VAT Law.

Mobile phones

- Integrated circuit mechanisms, such as microprocessors and central processing units, prior to their integration into end-user products
- Game consoles, computer tablets and laptops

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

Administration of intra-community trading

Business that undertakes intra-community trading i.e. purchases and sales of goods and provision of services from /to European Union member States need to complete the following forms:

Intra-Community Acquisitions (Imports)

1. Intrastat-Arrivals of goods
2. Inclusion in the VAT return (on a total basis)

Intra-Community Supplies (Exports)

1. Intrastat-Departures of goods
2. Recapitulative statement of supplies of goods and services (VIES form)
3. Inclusion in the VAT return (on a total basis)

Submissions of the forms

INTRASTAT forms are submitted to Tax Authorities no later than the 10th day which follows the end of the month stated on the INTRASTAT form.

The recapitulative statement is submitted to the Tax Authorities within 15 days from the end of the related month in an electronic form only.

Legal receipts

From 16 January 2012 all taxable persons making taxable supplies of goods or services to non-taxable persons are obliged to issue and deliver "legal receipts".

The legal receipts must contain the following information

@ Issue date

- !IDNumber

@ Name, address and registration number of the taxable person @ Description of the goods or services offered @ Total amount payable, including VAT

- For each VAT rate, the total amount payable (including VAT) and the applicable rate.

- Indication of whether the transaction involves deposit payment, part payment, cash payment or otherwise.

Any person failing to comply with this regulation will be subject to a penalty equal to 20% of the value of the transaction for which the legal receipt relates to.

Any person failing to issue and deliver a legal receipt at the time of the transaction shall be subject to a fine of €1700 or imprisonment up to three years or both.

It should be noted that in case of cash invoice, the issue of legal receipt is not required as the cash invoice may also be used as a receipt.

VAT rules for Services in the EU

Introduction

As from 1 January 2010, new rules were introduced across the EU, affecting all businesses that trade internationally in services, whether as a supplier or a purchaser, and whether externally or on an intra-group basis.

Vat changes

VAT on almost all B2B (business-to-business) services will be chargeable in the Member State of the customer, and not in the country/Member State of the supplier. The customer will then account for the VAT due under the “reverse charge” procedure. Many more services will be subject to the reverse charge, including all management fees.

Cross-border VAT charges will be minimized but when VAT is still charged, there will be faster, more efficient refund procedures - the “Eighth Directive” VAT refund procedure is applied and electronic filing is introduced.

Exempt and partly exempt businesses, such as banks and _ insurance companies, currently receiving VAT-free services from abroad may face extra VAT costs on, for example, management fees, outsourced services, etc.

New “time of supply” rules governing when a reverse charge liability is accounted for and when a transaction is to be included on VIES (VAT Information Exchange System) forms.

Businesses will be required to file VIES forms for services.

Rules regarding the place of supply of services

General rule

The general rule with respect to the supply of services to a taxable person shall be the place where the taxable person (i.e. the recipient) has established its business and not the place where the supplier is established.

The place of supply of services to a non-taxable person shall be the place where the supplier is established.

Exception rules

Exception rules shall be applied to the following services:

Services connected to immovable property - The place of supply shall be where the immovable property is located.

Passenger transport - the place of supply shall be where the transport takes place.

Cultural, artistic, sporting, scientific, educational and similar services - The place of supply shall be where those activities are physically performed.

Restaurant and catering services - The place of supply shall be where the services are physically carried out.

Restaurant and catering services for consumption on board ships, aircraft or trains during the section of a transport operation effected within the Community - The place of supply shall be at the point of departure of the passenger transportation.

Short-term hiring of means of transport - The place of supply shall be the place where the means of transport is put at the disposal of the customer.

Refund of VAT paid

The existing procedure for the refund of VAT paid by a taxable person in another Member State for business expenses incurred in that Member State, were replaced by a new electronic procedure as of 1 January 2010.

The purpose of the new electronic procedure is the equal treatment of the businesses within the EU and the faster refund of the VAT to the claimants.

As of 1 January 2010, when a taxable person who is established in one Member State (Member State of Establishment) pays VAT in another Member State of the EU (Member State of Refund), this person will be allowed to submit an electronic application for the refund of VAT in the Member State of Establishment.

The deadline for filing an application for VAT refund is newly set at 30 September of the following calendar year. The claimants will no longer be required to present the original copies of documents. The VAT authorities will be required to process claims within a stipulated time period.

Reporting requirements

As of 1 January 2010, businesses will be required to file VIES forms for services, similar to those already required for goods. Only taxable (not exempt) services subject to the reverse charge and supplied to a VAT-registered customer in another Member State will need to be reported. Businesses will not be required to report services supplied to the customers in the same Member State or to customers outside the EU. The VIES form must include the following information:

The VAT number of the customer

- Total amount of services provided, or goods sold in each Member State (separate sections for each Member State) The Member State of the customer

In Cyprus, the VIES forms for goods / services are submitted monthly, on the 1st day of the month following the month to which the VIES form relates.

Harmonisation of VAT legislation with directive 2010/45/EU

As from 20 December 2013 the following changes have been implemented in order to comply with European directive:

- Maintenance of records with analytical data about goods transferring temporarily between Member States
- Chargeability of VAT on intra-community supplies of goods and intra- community acquisitions
- Introduction of optional cash accounting scheme for Member States
- Amendments about invoicing system
- Removal of special provisions regarding the time of service by lawyers and in construction industry
- Currency conversion for acquisitions from other Member States

New VAT rules for e-commerce

MOSS system extended to other business-to-consumer (B2C) services and intra-community distance sales of goods, thus resulting in a bigger One Stop Shop (OSS).

The VAT rules on cross-border B2C e-commerce activities have changed throughout the EU.

Online sellers (including online marketplaces/platforms) can register in one EU Member State for the declaration and payment of VAT on all distance sales of goods and cross-border supplies of services to customers within the EU, through the new One Stop Shop (OSS).

The existing thresholds for distance sales of goods within the EU are abolished and a new EU-wide threshold of EUR 10.000 has been introduced. Below this

threshold, the supplies of TBEs and intra-community distance sales of goods may remain subject to VAT in the Member State of supplier of TBEs or where those goods are located at the time when their dispatch or transport begins.

The VAT exemption applicable so far on importation of small consignments of a value up to EUR 17 is abolished. All goods imported in Cyprus are now subject to VAT.

A new special scheme, the Import One Stop Shop (IOSS) has been introduced, regarding distance sales of low value goods imported (<EUR 150) from third territories or third countries to simplify the declaration and payment of VAT.

Penalties and interest

Late registration	€85 for each month of delay
Late submission of VAT return	€100 per return
Late payment of tax	10% of the amount due plus 5% interest
Late de-registration	€85 one-off
Non-compliance with reverse charge requirements under Articles 11, 11A-11E and 12A of the Cyprus VAT Legislation (effective from 1 July 2021)	€200 per return. Total penalty will not exceed €4.000
Late submission of VIES Recapitulative Statement	€50 per statement
Late submission of corrective VIES Recapitulative Statement	€15 per statement
Late submission of Intrastat return	€15 per return
Non-issuance of a legal receipt	20% of the value of the supply

17. INTERNATIONAL TRUSTS

An international trust may be described as a trust created by a non-resident settlor for the benefit of non-resident beneficiaries.

For a trust to be classified as an International Trust it must satisfy the following conditions:

- (a) The settlor is not permanent resident of the Republic.
- (b) The trust property does not include any immovable property situated in Cyprus.
- (c) At least one of the Trustees is resident in the Republic during the Trust period.
- (d) None of the beneficiaries are residents except when the Trust is charitable.

There are various types of trusts that can be set up in Cyprus. The choice depends on the circumstances of the settlor and the objectives of the trust. The most common types of trust are the following:

- Discretionary trusts
- Fixed trusts

International trusts enjoy the following tax advantages in Cyprus:

- the income of the trust is exempt from tax both in the hands of the trustees and the beneficiaries
- No capital gains tax is charged on the disposal of assets held by international trusts
- interest on foreign currency trust funds deposited with any bank in Cyprus is tax exempt

18. SOCIAL SECURITY CONTRIBUTIONS

Contributions

	Social Insurance	Redundancy Fund	Human Resource Development	Social Cohesion Fund
Employer	8,8	1,2	0,5	2
Employee	8,8	-	-	-
Self-employed	16,6	-	-	-

The above rates (excluding the rate applicable to contributions to the Social Cohesion Fund) are applied on gross emoluments up to the maximum level of annual insurable earnings.

Upper limits for employees for 2026

	Weekly (€)	Monthly (€)	Annual (€)
Weekly employees	1.281	-	66.612
Monthly employees	-	5.551	66.612

Lower limits for self employed

Occupational Category	Weekly (€)	Annual (€)
1. Medical Doctors, Pharmacists, Health professionals		
a. Persons with up to 10 years practice	443.45	23.048
b. Persons with more than 10 years practice	896.66	46.604
2. Accountants, Economists, Lawyers and other Professionals		
a. Persons with up to 10 years practice	443.45	23.048
b. Persons with more than 10 years practice	896.66	46.604
3. Managers (Businessmen), Estate Agents, Wholesalers	896.66	46.604
4. Teaching Professionals (University, Secondary education, Primary and pre-primary education, Teaching Associates, Special education teaching professionals)		
a. Persons with up to 10 years practice	433.38	22.525
b. Persons with more than 10 years practice	866.75	45.049
5. Builders and related occupations	544.24	28.287
6. Farmers, Dairy and Livestock producers, Poultry producers, Fishermen and related occupations	302.36	15.715
7. Drivers, Excavator operators and related occupations	433.38	22.525
8. Technicians, Mass Media Associates, Stationary Plant operators (not related to building occupations) and Metal, Rubber, Plastic, Wood and related products assemblers	433.38	22.525
9. Clerks, Typists, Cashiers, Secretaries	433.38	22.525

10. Artisans not falling under any other occupational category	433.38	22.525
11. Shopkeepers	413.22	21.477
12. Butchers, Bakers, Pastry-Cooks, Meat, Milk, Fruit, Tobacco product makers/preservers and related occupations	332.59	17.286
13. Street vendors, mail carriers, garbage collectors, miners and quarry workers, riggers and cable splicers, sweepers, Service providers and salesmen	302.36	15.715
14. Cleaners, Messengers, Watchpersons, Dry Cleaning Owners	413.22	21.477
15. Designers, computer equipment operators, ships' engineers, Agents and related occupations, Musicians, Magicians	443.45	23.048
16. Persons not falling under any other occupational category	443.45	23.048

Notes

- Employers are obliged to pay the monthly contributions by the end of the subsequent month.
- Self-employed persons are obliged to pay the contributions within 40 days from the end of the quarter.
- Late payment results in the imposition of a penalty of 3% for each month of delay, as long as the delay continues. The total amount of the penalty cannot exceed 27% of the amount due.

Social Cohesion Fund

Every employer has an obligation to contribute 2% of the amount of salaries paid to employees, to the social cohesion fund.

19. GENERAL HEALTHCARE SYSTEM (GHS)

The contributions to the GHS medical fund are calculated and paid as a percentage on the gross emoluments / pensions as follows:

Contributors' categories	Contributions from 01/03/2022	Explanations
Employees	2,65%	On their salaries
Employers (including the state as an employer)	2,90%	On their employees' emoluments
State	4,70%	On the salaries of the employees, the remuneration of the self-employed and officials and on pensions
Self-employed	4,00%	On their income
Pensioners	2,65%	On their pension
Income earners (e.g. rent, interest, dividends)	2,65%	On their income
Government Officials	2,65%	On their remuneration
Persons responsible for the payment of remuneration to Government Officials	2,90%	On the remuneration of the Government Official

In case that the physical person is not a tax resident of Cyprus, he/she will pay contributions only for the income, earnings and pensions that derive from the Republic of Cyprus, excluding dividends and interest.

20. STAMP DUTY

The Stamp Duty Law is fully abolished as from 1 January 2026. However, the following duty charges are valid to documents which are signed prior to 1 January 2026.

Type of document	Duty
Letters of guarantee	€4
Letters of credit	€2
Receipts for amounts over €4	€0,07
Customs and excise documents	€18/€35
Bills of lading	€4
Bills of exchange (payable at sight, on demand or within 3 days from date or sight)	€1
Charter party document	€18
General power of attorney	€6
Special power of attorney	€2
Certified copies of contracts and documents	€2
Will	€18
Estate administration document	€9
Certificate of tax residency (*applies also for tax year 2026 and thereafter)	€80,00
Contracts from €0 up to €5.000	0 ‰
From €5.001 up to €170.000	1,5 ‰
For amounts exceeding €170.000	2 ‰ (Maximum duty €20.000)
With no fixed amount	€35

21. COMPANIES' REGISTRAR RIGHTS AND FEES

Registration of a limited company by shares or guarantee, with share capital €175

Registration of a company without share capital €40

Registration of an increase in the company's share capital €40

Change of name of company €80

Reduction of capital €120

Application for registration of a general or a limited partnership €80

Application for registration of a business name €20

Filing with the Registrar of the Annual Report €20

Annual Report which is overdue €50 + €1 for each day of delay for the first six months and €2 thereafter up to a maximum of €150

Notification of a registered mortgage on immovable property in the Republic of Cyprus irrespective of the sum of money €20

Registration of a charge apart from a mortgage on immovable property within the Republic of Cyprus: - on the form of notification of the charge €40

- on the charge document securing maximum amount: for a sum of money up to €17.086 €100

for a sum of money exceeding €17.086 but not over €34.172 €200

for a sum of money exceeding €34.172 but not over €85.430 €340

for a sum of money exceeding €85.430 but not over €170.860 €500

for a sum of money over €170.860 where no amount is mentioned €600

Register of Beneficial Owners

As of 14 November 2023, the Final Solution of the electronic system of the Register of Beneficial Owners (the "BO Register") was implemented, requiring all Companies registered as per Companies Law, Cap. 113, all European Companies (SE) and all Partnerships (altogether the "Entities") or their Officers/Partners (as the case may be) to submit information regarding their beneficial owners (BO) into the electronic system of the BO Register, subject to specific requirements.

This development introduces the following obligations and potential penalties for the Entities and their Officers/ Partners:

- All new registrations/incorporations must, no later than ninety (90) days from the date of their registration/ incorporation, file electronically onto the BO Register, all information in respect of each of their beneficial owner/s.
- All changes to the information recorded in the BO Register for a specific Entity need to be updated within 45 days from the time such Entity or its Officers/Partners become aware of the changes.
- All Entities are required to verify the information recorded in the BO Register annually, during the period from 1st October to 31st December. The annual verification process is mandatory irrespective of whether there were any changes to the information recorded in the BO Register

during the year or not.

It should be noted that an officer of a corporate or other legal entity will be exempt from such fines if they have exercised due diligence in adhering to the provisions of Law N.188(I)/2007 and Directive P.I. 112/2021, as amended, and the violation is not attributed to their actions, omissions, or negligence.

22. IMMOVABLE PROPERTY TRANSFER FEES

These are paid on transfers of immovable property and are calculated on the market value of the property as estimated by the Land Registry Department.

Market Value	Percentage	Fees	Cumulative Fees
	%	€	€
0 - 85.000	3	2.550	2.550
85.001 - 170.000	5	4.250	6.800
170.001 and over	8		

- The above transfer fees are reduced by 50% in case the purchase of immovable property is not subject to VAT.
- No transfer fees are payable if VAT is applicable upon purchasing the immovable property.

In the case of free transfers of property, the transfer fees are calculated on the value of the property as follows:

From parents to children	0%
Between spouses and relatives up to third degree	0,1%
To trustees	€50

Exemptions from transfer fees

- Transfers of immovable property by a company to another company for the purpose of a company re-organisation are exempt from transfer fees.
- Under a qualifying loan restructuring.
- In the context of bankruptcy, liquidation or disposal of mortgaged immovable property by the lender, where the sales proceeds do not exceed EUR 350.000 per owner.
- Transfers of immovable property on which VAT was paid.

23. STOCK EXCHANGE TRANSACTION FEES

A special fee is imposed in relation to transactions that take place in the Cyprus Stock Exchange or are announced to the Cyprus Stock Exchange at the following rate:

Individuals and legal entities	0,15%
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The fee is suffered by the seller or the person who announces the transaction.

Exempt transactions

The following transactions are exempt:

- share issue and share redemption by the issuer
- transactions in non-convertible company bonds
- transactions in non-convertible company promissory notes
- transactions in bonds, development bonds and government bills of exchange
- gifts of securities by parent to child, either single or married, between spouses or relatives up to third degree.

24. ABOUT PEK LTD

made solutions for their specific needs, and assisting in their implementation, adding value by supporting them in managing the ever-increasing complexities of the modern business environment.

Our mission

We are dedicated to delivering quality and professional services to our clients to enable them to run their businesses more effectively and efficiently.

Our aim is also to earn the confidence, respect and trust of both our clients and the community.

Our growth and success springs from customer trust and the setup of a highly motivated and skilled team within an internationally oriented environment.

Our Services

In a dynamic and challenging business environment, we are here to support you at every step of your journey. Ready to provide you with a wide range of services which can be grouped into the following categories:

Audit & Assurance services

Bookkeeping and Accounting services Tax and VAT Services

Corporate Compliance Services Consulting - Business Advising Services

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& Compliance

CONSULTING & ADVISORY



Strategic Business
Guidance

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