



# The Cyprus Tax Reform

## Analysis of the main provisions

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# Cyprus Tax Reform

On 22 December 2025, and following a long public consultation exercise, the House of Representatives voted into law, the provisions constituting the Cyprus Tax Reform.

The provisions span over a set of six amending tax laws that have been published in the Official Gazette on 31 December 2025. The amending laws are as follows:

1. The Income Tax Law of 2002 (118(I)/2002), the “ITL”;
2. The Special Contribution for the Defence Law of 2002 (117(I)/2002), the “SDCL”;
3. The Capital Gains Tax Law of 1980 (52/1980), the “CGTL”;
4. The Assessment and Collection of Taxes Law of 1978 (4/1978), the “ACTL”;
5. The Collection of Taxes Law of 1962, the “CTL”;
6. The Stamp Duty Law of 1963, the “SDL”.

The new framework is applicable for tax years commencing 1 January 2026 and onwards.



# 01. Income Tax Law

## Tax Residency

### Tax Residency for Individuals

The amendments provide that for the purposes of the 60-days tax residency rule, it is no longer required for the individual not to be a tax resident of another jurisdiction for the same tax year.

### Tax Residency Rules for Companies

The amendments provide that apart from the management and control test, a company which has been incorporated under the Cyprus Company law will be considered as a tax resident irrespective of whether or not the company is treated as a tax resident of another jurisdiction save in the case where a Double Tax Treaty provides otherwise.

## Income Tax Rates

### Corporate Tax Rate

The corporate income tax rate of 12.5% is increased to 15% unless a special rate of taxation applies by virtue of the provisions of the law (e.g. special mode of taxation for gains arising from cryptocurrencies).

### Personal Income Tax Rates

The tax-exempt threshold of EUR19.500 is increased to EUR22.000 and the personal income tax bands have increased upwards as follows:

| Chargeable Income (EUR) | [%*] |
|-------------------------|------|
| 0-22.000                | 0    |
| 22.001- 32.000          | 20   |
| 32.001- 42.000          | 25   |
| 42.001 – 72.000         | 30   |
| Over 72.000             | 35   |

\*if not subject to a special rate of taxation applying under the provisions of this law

## Salaries, employment, ex-gratia amounts, share-option and Retirement Schemes

### Income related to employment and retirement gratuities for employees and persons holding an office

The amendments provide that the following would be subject to tax as income or benefit from employment in addition to what was currently being taxed:

- Any gratuity granted ex-gratia on
  - Retirement or early retirement;
  - termination or early termination of an employment contract;
  - appointment to an office.
- Any benefit granted under an Early Retirement Scheme for Employees;
- Any compensation for the termination of employment or appointment to an office, the payment of which is not provided for in an employment contract or appointment contract or in a collective agreement or regulations or any other terms governing the employment or appointment to an office.

The above will be subject to tax at a rate of 20% to the extent that they exceed EUR200k; amounts paid shall not be deductible for the employer.

Further:

- Any benefit granted as an incentive for accepting employment or appointment to an office, including such benefit provided before the commencement of employment or appointment to an office (golden handshake); and
- Any other benefit granted under an employment contract or appointment contract or under a collective agreement or regulations;

shall be taxed at the personal income tax rates under the general rules for taxation.

Any amounts granted by a court judgment with respect to income taxable under the aforementioned would be taxed accordingly.

## Share-Option and other share-based incentive schemes for employees and management

Benefits arising for Cyprus tax resident employees or company directors (that do not constitute related parties under the arm's length principle), from the granting of stock options or the granting of rights to acquire shares under an employer's incentive plan approved by the Tax Commissioner for each employee or director, is subject to taxation at a special rate of 8%.

The special rate of 8% applies up to the amount of the benefit that equals twice the income of the employee or director from that employer earned within the year in the year of vesting, without including the said benefit and with a maximum benefit of EUR1mln per rolling decade. Any excess amount is taxed according to the general tax framework.

In order for the special rate to apply, the stock options or shares granted must cumulatively meet the following conditions:

- must have a minimum vesting period of three (3) years starting, at the earliest from the date the plan is approved by the Tax Commissioner; and
- cannot be transferred before the end of the minimum vesting period; and
- must relate to shares of the employer (or its direct/indirect parent) and must carry the same rights and obligations as the ordinary shares of the employer or its parent company, except for voting rights; and
- the minimum exercise price or acquisition price, as applicable, is not lower than 50% of the value of the shares of the relevant company on the date of approval by the Tax Commissioner.

Employer incentive plans already in place for which the vesting period began prior to January 1 2026, may apply to the Tax Commissioner for approval up until 30th June 2026 (six months from the entry into force of the provision) provided that the minimum three-year vesting period has not expired before the end of the six-month deadline.

## Cost of Living Adjustment (COLA)

As a result of the public dialogue between the Government and the Trade Unions with regards to the mandatory provision of a Cost-of-Living Adjustments ("COLA"), an additional deduction equal to twice the additional expense incurred for the payment of the

COLA compared to the immediately preceding year will be granted to the employer paying COLA as defined in the law.

## Insurance Premium Deductions and personal allowances available to individuals

### Insurance Premiums

- Premiums arising on policies providing for permanent or partial incapacity are also allowed as a deduction in addition to life insurance premiums;
- In the event of a partial surrender of a life insurance policy in which the amount exceeds the policy's gross surrender value as of 31 December four years before the surrender year, 50% of the excess amount is added to the policyholder's taxable income. The gross surrender value is taken to be zero if the policy is less than 4 years old and is adjusted downward by any excess of partial surrenders in the previous 3 years over premiums paid during those years;
- Contributions paid into a Pension or Provident Fund established in the Republic or in another Member State, which is approved by the Tax Commissioner; and premiums paid under an insurance policy for a Pension Plan or for the provision of an annual life annuity upon old age, which is approved by the Tax Commissioner shall be allowed as a deduction up to an amount not cumulatively exceeding 10% of the individual's total income including business profits;
- Premiums up to an amount of EUR500 will be allowed as a deduction if paid by an individual under an insurance policy for the insurance of a residence against risks of natural disasters.

### Personal allowances

The amendments introduce tax deductions for individuals on a family unit basis depending on income eligibility criteria. In order for the allowances to be provided:

- Tax returns must be filed on time;
- Spouses/Partners must consent to share tax information.

# 01. Income Tax Law

## Eligibility

Eligible Taxpayers are taxpayers who meet the following thresholds:

| Categories*                       | Amount EUR (€) |
|-----------------------------------|----------------|
| Family income must not exceed:    |                |
| • No children or up to 2 children | 100.000        |
| • 3 or 4 children                 | 150.000        |
| • 5 or more children              | 200.000        |
| Single Person                     | 40.000         |

\*Single-parent families are included and children include biological, stepchildren, adopted, and out-of-wedlock children (up to 24 years old if students)

## Dependent Children

Available deductions for Dependent Children are as follows:

| Number of Children                  | Amount EUR (€)* |
|-------------------------------------|-----------------|
| First dependent child               | 1.000           |
| Second dependent child              | 1.250           |
| Third or additional dependent child | 1.500           |

\*For single-parent families or parents with full custody, the deduction is doubled

## Housing Costs

| Type of Cost   | Amount EUR (€)* |
|--|-----------------|
| Interest on a performing loan for purchase/construction of primary residence in Cyprus | 2.000           |
| Rent for primary residence in Cyprus   | 2.000           |

\*provided per partner/spouse/single person

The allowances for housing costs are provided on the basis that:

- the residence is owned by at least one spouse/partner or the single person;
- the loan must be in the name of at least one spouse/partner or the single person;
- any government grant/subsidy reduces the deductible amount.

## Energy Efficiency and Green Investments

Deductions are provided in respect of capital expenditures incurred as follows:

| Type of Cost  | Amount EUR (€)* |
|---|-----------------|
| Technical energy efficiency systems of the primary residence, renewable energy systems, and electricity storage batteries | 1.000           |
| Improving the energy efficiency of the primary residence located in the Republic  | 1.000           |
| Electric vehicles registered with the Department of Road Transport  | 1.000           |

\*provided per partner/spouse/single person

The allowances for Energy Efficiency are provided on the basis that:

- unused amount can be carried forward for 4 years
- total deductions cannot exceed actual expenses
- government grants/subsidies reduces the deductible amount

## Cryptocurrencies

Profits of any person arising from the disposal of crypto-assets as these are interpreted in accordance with the Markets in Crypto-Assets Regulation (MiCA) of the European Union (Regulation (EU) 2023/1114), are subject to taxation at a rate of 8%. The special rate of taxation does not apply in cases of disposing crypto-assets acquired through a mining activity.

The term “disposal of crypto-assets” means the sale of crypto-assets, the donation of crypto-assets, the exchange of one crypto-asset for another crypto-asset, and the use of a crypto-asset as a means of payment.

# 01. Income Tax Law

Any losses arising from the disposal of crypto-assets may only be offset against profits from the disposal of crypto-assets occurring within the same tax year, and they are neither carried forward and/or offset against profits of the same person in subsequent years, nor subject to group relief.

Any profit arising from transactions in crypto-assets not eligible by the special rate (either by definition or mode of acquisition) shall be taxed in accordance with the general provisions of the ITL.

## Interest Income

Interest income accrued by companies shall always be deemed to be subject to corporate income tax at the corporate income tax rate (and exempted from the Special Contribution for the Defence) whilst interest income accrued to individuals shall be exempt from the ITL (but subject to Special Contribution for the Defence - see relevant section).

## Redemption of Fund Units

As from 1/1/2031 onwards, gains derived from the redemption of units and/or shares in closed/open collective investment schemes in the legal form of a company (following a deduction of any capital gains tax due on immovable property by virtue of the said redemption) will be considered to represent dividends and be taxed accordingly under the ITL and the SDC.

## Intellectual Property and Innovation related provisions and other capital allowances

### Intellectual Property and R&D Deductions

#### *Intellectual Property*

The amortization provisions regarding intellectual property have been amended to provide that:

- Capital expenditure relating to intangible assets with an indefinite useful economic life shall be allocated over a period of twenty (20) years;



# 01. Income Tax Law

- Capital expenditure for intangible assets introduced into a company in exchange for the issuance of share capital shall not exceed the market value of those assets on the date they are introduced into the business, and no deduction shall be granted if the market value is not substantiated to the satisfaction of the Tax Commissioner.

## **Research and Development Deductions**

The additional 20% elective deduction (Super Deduction) on R&D expenses that was applicable for the years 2022 up to 2024 inclusive is extended up until tax year 2030 inclusively.

## **Other Capital Allowances**

The capital allowances regarding assets used in the business have been amended to provide that:

- The existing capital allowances related to the increase of energy efficiency of buildings, technical systems for building energy efficiency, renewable energy systems, as well as batteries for electricity storage and electric vehicles are extended until tax year 2030 inclusively;
- Accelerated depreciation at the rate of 25% (after deducting any subsidy amount) is provided for capital expenditures incurred on machinery and installations used for agricultural or livestock production, excluding irrigation machinery and installations;
- Capital expenditure for assets introduced into a company in exchange for the issuance of share capital shall not exceed the market value of those assets on the date they are introduced into the business, and no deduction shall be granted if the market value is not substantiated to the satisfaction of the Tax Commissioner.

## **Tax Losses and Group Relief**

The limitation for the carry forward of tax losses has been extended from 5 to 7 years.

Further, group relief provisions have also been amended to provide that a company must first offset any taxable income against its own brought forward losses prior to surrendering losses for group relief.

## **Transfer Pricing**

Thresholds for the preparation of a local file have been increased from what applied immediately prior to the voting of the amendments as follows:



- Transactions on sale of goods: the threshold has increased from EUR1mln to EUR5mln;
- Financing transactions: the threshold has been increased from EUR5mln to EUR10mln;
- All Other Transactions: the threshold has been increased from EUR1mln to EUR2.5mln;

For further information please refer to our dedicated [Transfer Pricing Alert](#).

## **General Anti-Avoidance Rule (“GAAR”)**

The GAAR has been amended to extend the general anti-avoidance rule to individuals as well as companies.

## **Provisions concerning EU blacklisted jurisdictions**

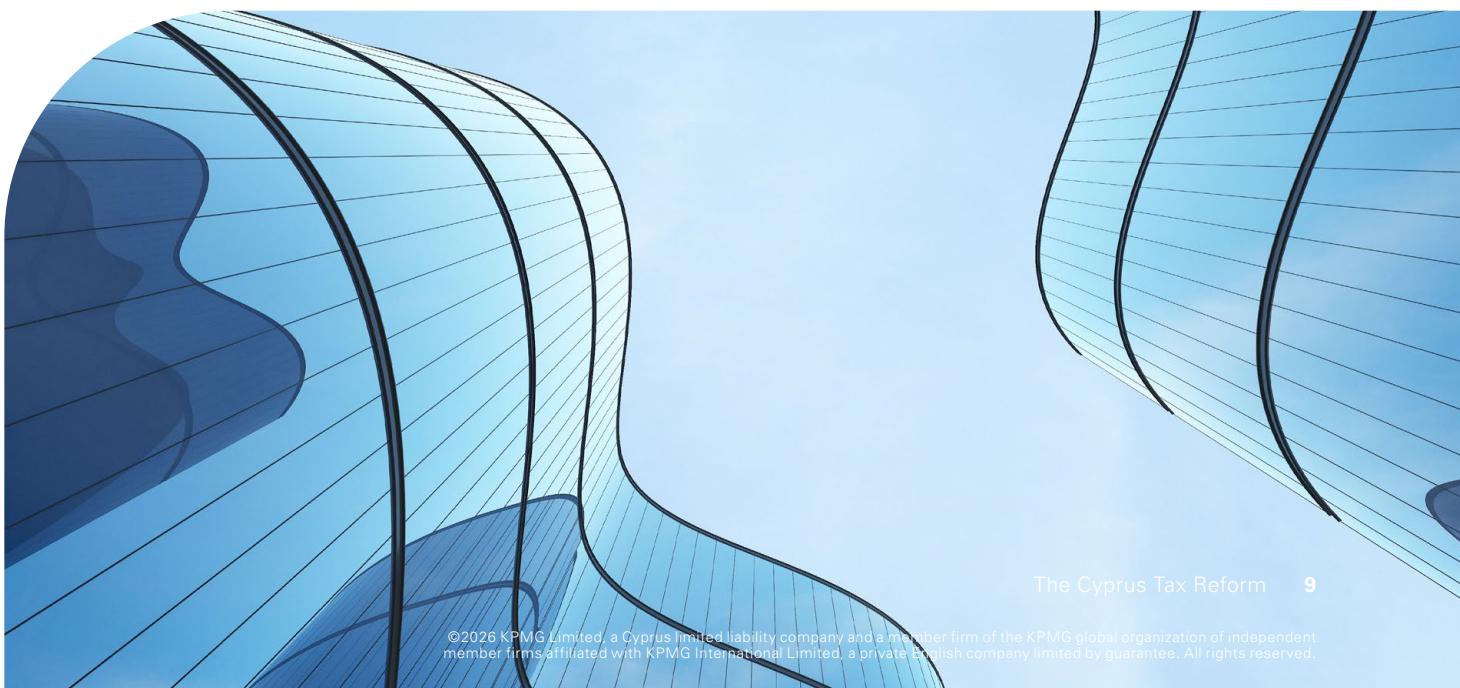
In addition to the existing provisions, the amendments provide that:

- No interest expenses shall be allowed as a deduction to the extent they incur on a loan obtained for the acquisition of shares of a direct or indirect subsidiary resident and/or established and/or organized in a non-cooperative jurisdiction included in the EU black list that is not a tax resident of a non-EU blacklisted jurisdiction;
- The profits of a Permanent Establishment of a Cyprus Company established and/or organized in a non-cooperative jurisdiction included in the EU black list shall not be exempt from tax.

## Other points of interest

The amendments further provide that:

- A director of the company who, either alone or jointly with persons connected to him, holds voting rights of at least fifty percent (50%) regarding decisions taken by the company's board of directors, is deemed to be a person connected with the company for the purposes of the arm's length principle;
- The deemed benefit of 9% on receivables from shareholders and/or directors has been extended to also apply to indirect shareholders.
- Income arising from a breach or cancellation of a contract that would have otherwise been taxed in the hands of the recipient shall be subject to tax accordingly;
- Donations or contributions of up to EUR50k made to cultural institutions approved by the Deputy Minister of Culture shall be allowed as deductions from taxable income. In the event of a loss incurred during the year in which the donation or contribution was made, any part of the loss up to the amount of the donation or contribution shall not be carried forward and shall not be offset against income of subsequent years;
- A deduction of up to EUR300k shall be provided in respect of expenses incurred relating to the initial listing of company shares on a recognized stock exchange (subject to conditions);
- The Insurance Premium Tax of 1.5% paid by Life Insurance companies is being abolished;
- The allowable deduction for entertainment expenses has been increased to EUR30k from EUR17.086 (still capped at 1% of the gross income of the business);
- The threshold for the special rate of taxation of 5% for foreign pensions has been increased to EUR5k from EUR3.420;
- No deduction on rent shall be provided unless such is being paid electronically in accordance with the provisions of the Assessment and Collection of Taxes Law;
- The exit tax rules are amended to provide that in the event of an exit event, the tax basis of assets for companies that have relocated their tax residency to Cyprus (and/or transfer assets or establish a Permanent Establishment) from a jurisdiction other than a EU Member State, shall be the market value of those assets on the date of entry. Further, the value on entry as regards intangible assets shall constitute an acquisition cost for amortization purposes;
- Any exemptions or deductions for determining a person's taxable income shall be granted only in accordance with the provisions of the ITL unless provided for prior to January 2026 in which case they shall continue to be granted until the amendment or repeal of those provisions.



# 02. Special Contribution for the Defence Law

## Domicile

### Definition

The definition of domicile has been amended to provide that an individual who, in any year, is deemed to have acquired domicile in Cyprus by being a tax resident in Cyprus for the last 17 out of 20 years before the year in question, is considered to retain it until completing 20 years during which they are not a tax resident of Cyprus, as defined in the provisions of the ITL.

### Domicile Status and Special Mode of Taxation

On expiry of the initial 17 year period an individual that did not have a Cyprus domicile and is deemed to have acquired a Cyprus domicile by virtue of a 17-year residency may choose, by an irrevocable and binding application to the Tax Commissioner, to be subject to an alternative method of taxation, regardless of the amount of their income, by paying a lump-sum annual amount of special contribution of EUR50k per year, for a period of five consecutive tax years, paid in a single lump-sum installment. Deadlines apply for the submission of such request. Such alternative method may be claimed for up to 2 consecutive 5-year periods.

## Dividends

### As regards dividends distributed from profits arising prior to 31 December 2025

| Distribution  | Companies | Rate              | Individuals | Rate             |
|---|-----------|-------------------|-------------|------------------|
| From Profits of 2024-2025 years                                   | ✓         | 17% <sup>4</sup>  | ✓           | 17% <sup>1</sup> |
| From profits of 2024-2025 years not distributed or subject to DDD | ✓         | 0% <sup>4</sup>   | ✓           | 17% <sup>2</sup> |
| From profits up to 2023 not distributed and not subject to DDD    | ✓         | 0% <sup>3,4</sup> | ✓           | 17% <sup>2</sup> |

1. If not distributed, such profits are subject to Deemed Dividend Distribution ("DDD") in 2026 and 2027 respectively (see DDD provisions below)

2. Rate is reduced to 5% if distributed after 31 December 2031; any amount subject to SDC is reduced by amounts already subjected to SDC dividend taxation (e.g. DDD or amounts already subjected to SDC as 'disguised dividends', see further below).

3. Rate increases to 17% for dividends received by a Cyprus company indirectly more than four years from the end of the tax year in which the profits from which the dividend derives were earned.

4. No Special contribution for the Defence is imposed on a dividend that corresponds directly or indirectly to an individual who, on the date of payment of the dividend, was not tax resident and domiciled in Cyprus.

### As regards dividends distributed from profits arising from 1 January 2026 onwards

| Distribution                      | Companies | Rate | Individuals | Rate              |
|-----------------------------------|-----------|------|-------------|-------------------|
| From Profits of 2026 year onwards | ✓         | 0%   | ✓           | 5% <sup>1,2</sup> |

1. The anti-abuse rule already in place for cases where companies that do not serve any substantial commercial or economic purpose and which are interposed to receive dividends instead of the individual now applies to direct and indirect shareholdings exceeding 50% of capital, profit or voting rights.

2. The amount of the dividend received that is subject to taxation is reduced by amounts already subjected to SDC dividend taxation (e.g. DDD or amounts already subjected to SDC as 'disguised dividends', see further below).

## 02. Special Contribution for the Defence Law

### WHT on dividends distributed to related party companies in certain jurisdictions

Following the reduction of the general WHT rate to 5% from 17%, the amending law provides for the following clarifications on dividends distributed to related party companies that are resident and/or organized and/or established in EU blacklisted and low-tax jurisdictions:

| Dividend distributed to      | Rate (%) |
|------------------------------|----------|
| EU-Blacklisted Jurisdictions | 17       |
| Low-tax jurisdictions        | 5        |

All other rules remain the same.

### Provisions applying to all cases of dividends

The amendments provide for the following as regards the treatment of dividends:

- The distribution of assets to a shareholder as part of a reduction of share capital or dissolution or liquidation shall be regarded to be carried out at market value;
- Such asset distribution shall be treated as a dividend to the extent where the market value of the distributed assets is higher than the amount of capital actually paid to the company by such shareholder; the difference between the market value and the amount of capital actually paid to the company by such shareholder, reduced by the capital gains tax paid on those assets under the provisions of the CGTL, will be treated as a dividend and taxed accordingly. In this respect:
  - The amount of the dividend received as per the above that is subject to taxation is reduced by



## 02. Special Contribution for the Defence Law

amounts already subjected to SDC dividend taxation (e.g. amounts already subjected to SDC as 'disguised dividends', see further below);

- The amount of capital actually paid to the company by the individual shareholder is reduced by any amount of capital returned to the shareholder as part of a previous capital reduction and/or deemed dividend distribution;
- As from 1/1/2031 onwards, the redemption of units and/or shares in closed/open collective investment schemes in the legal form of a company (following a deduction of any capital gains tax due on immovable property by virtue of the said redemption) will be considered as a reduction of capital;
- In the event of an increase in the issued share capital of a company through the capitalization of reserves available for distribution, the amount of the capitalization constitutes a dividend received by the shareholders.

### Deemed Dividend Distribution abolished

Deemed Dividend distribution provisions previously applicable on Cyprus tax resident companies are abolished and shall not apply for profits earned as from 1 January 2026 onwards.

Transitional measures are introduced by the amendments under which, Deemed Dividend Distribution provisions shall normally apply and special contribution for the Defence will apply at the rate of 17% on:

- 70% of accounting profits earned in tax years 2024 and 2025 in the event where such profits are not distributed as a dividend within a 2-year period (i.e. by 31 December 2026 for 2024 profits and by 31 December 2027 for 2025 profits);
- liquidation proceeds to the extent of profits earned by 31 December 2025.

In any event, no refund of SDC imposed on the basis of the transitional measures shall be provided save in the case of a non- Cyprus tax resident person that receives a dividend derived from profits which at any stage were subject to deemed distribution; in such a case, the non-resident recipient may submit a request for refund of the special contribution paid due to deemed distribution,

which corresponds to the dividend received in respect of shares held on 31 December 2025.

### Disguised Dividends

The amendments introduce disguised dividend provisions as regards the use of the assets of a Cyprus tax resident company by individual shareholders (direct or indirect shareholders) that are tax resident and domiciled in Cyprus. Such disguised dividends shall be subject to tax at the rate of 10%.

The rules on disguised dividends apply on:

- The market value of any company asset used by the shareholder or a connected person calculated on the date the asset begins to be used by the shareholder or connected person for personal use and based on the percentage of personal use of the asset by the shareholder or connected person. Conditions apply in respect to calculating the percentage personal use and possible variations to such percentage; in the event of reduced personal use, no refund is provided;
- The difference between the market value of any asset disposed of by the company to the shareholder or a connected person on the date of disposal and the consideration paid by the shareholder.

The above do not apply in the event where:

- the asset was acquired via donation from the specific shareholder or a related party;
- Benefit in kind provisions under the ITL apply;
- The distribution is in the context of a reduction of share capital or liquidation of the company.

In the event where the disguised dividend provisions apply, the arm's length principle as outlined in the ITL will not apply.

In any event, no refund of SDC imposed on the basis of disguised dividends shall be provided.

### Interest income

Interest income accrued by companies shall always be deemed to be subject to corporate income tax at the corporate income tax rate and exempted from the Special Contribution for the Defence.

## 02. Special Contribution for the Defence Law

Interest income accrued to Cyprus tax resident and domiciled individuals shall be exempt from the ITL but will be subject to Special Contribution for the Defence at the rate of 17%.

Interest received or credited from savings certificates or development bonds of the Cyprus Government or the government of another EU Member State, corporate bonds listed on a recognized stock exchange, bonds or securities listed on a recognized stock exchange issued by a local authority or state organization of the Republic of Cyprus or another EU Member State is exempt from the 17% rate and taxed at a reduced rate of 3%:

Further,

- Interest received by or credited by Cyprus tax resident religious, charitable, or educational institutions of a public nature and every company resident in the Republic established exclusively for the promotion of art, science, or sports, shall be taxed at a rate of 17%;
- Interest received by or credited to State organizations, local authorities, and General Government entities in respect of interest received or credited, shall be taxed at a rate of 3%;
- Interest received by or credited to Pension funds, provident funds, the Social Insurance Fund, and the Health Insurance Fund shall be taxed at a rate of 3%.

### Rental Income

No Special Contribution for the Defence will apply to rental income as the relevant provision has been abolished.

### General Anti-Avoidance Rule (“GAAR”)

The amendments introduce a GAAR in the SDCL along the lines of the ITL.

### Penalties

The amendments significantly increase penalties in the event of non-compliance and/or non-adherence to requests for compliance or information.

Fines for criminal offences under the SDCL have been

generally increased (e.g. increased to EUR5k from EUR854,3 for first offenders and EUR10k and/or a sentence of 2 years from EUR1.025 and/or a sentence of 6 months for repeat offenders) with the requirement to pay the SDC due plus additional amounts as decided by the court procedure.



Administrative fines are also significantly increased. Under the amendments these are either a fixed sum (ranging from EUR200 to EUR4k) or on a percentage basis for failure to settle outstanding taxes (5% initially plus an additional 5% if payment is delayed by more than two months).

### Other points of interest

The amendments further provide that a company paying a dividend, including a disguised dividend distribution, shall provide the shareholder with a certificate stating:

- The amount of the dividend paid to the shareholder and the amount of the disguised dividend distribution;
- The amount of the special contribution withheld by the company in relation to the dividend paid and the deemed dividend distribution;
- The year in which the profits from which the dividend was paid were earned.

# 03. Capital Gains Tax Law

## Definition of “immovable property”

The amendments introduce a definition of “immovable property” in the CGTL in contrast with a definition of “property” that was previously included. The definition of immovable property aligns with the Immovable Property (Tenure, Registration and Valuation) Law.

## Threshold for property-rich companies amended

The definition of ‘property’, has been amended to provide that “property” also includes shares which, derive, indirectly, 20% (as opposed to 50% previously stipulated) of their value from immovable property situated in Cyprus (directly or indirectly). To be noted, such provision should be read in conjunction with Double Tax Treaty provisions.

## CGTL treatment for listed shares owning, directly or indirectly, Cyprus situated immovable property

The amendments restrict the exemption to shares listed in a regulated market of a recognized Stock Exchange as this is defined in the Investment Services and Activities and Regulated Markets Law thus excluding from the exemption any unregulated markets (such as for example the Emerging Companies Market of the Cyprus Stock Exchange - “Nea Agora”) provided that the said shares were not owned by the Seller/Alienator prior to 31 December 2025. The amendments provide grandfathering provisions and other exemptions as follows:

- the disposal of shares listed in an unregulated market of a recognized Stock Exchange and held by the Seller/Alienator as at 31 December 2025 shall not be subject to Capital Gains Tax;
- no capital gains tax shall be paid on the profit arising from the disposal of shares listed on an unregulated market of a recognized Stock Exchange, provided that the total value of all disposals made within the same calendar year does not cumulatively exceed EUR50k;
- in the event where the total value of all disposals made by a person within the same calendar year cumulatively exceeds EUR50k, tax shall be imposed and paid on the profit of each disposal in accordance with the provisions of the CGTL as of the date on which the total value of such disposals exceeded the amount of EUR50k.

## Amendment of exemption thresholds on disposals by individuals

The exemption thresholds for individuals disposing of property generally and agricultural land specifically have been increased:

- The general exemption for the disposal of property by an individual has increased to EUR 30k from EUR 17.086;

- The specific exemption for the disposal of agricultural land by an individual has increased to EUR 50k from EUR 25.629;
- The exemption from CGT of profit arising from the disposal of a primary residence, which has been used by the owner for a total period of at least five years exclusively for own habitation and is located on land up to one and a half plots, has increased to EUR 150k from EUR 85.430. Any profit in excess of the EUR150k threshold shall be subject to CGT on the exceeding amount.

## Debt to Asset disposals and restructurings (“αναδιαρθρώσεις») of primary residence

The exemption threshold previously in place as regards any gains from the disposal of a primary residence has increased to EUR 450k from EUR350k. For the purposes of this exemption, relevant definitions of the terms “debt restructuring”, “borrower” and “lender” have been introduced into the law. This exemption is extended to 31 December 2030 and further applies in the event of loans that were non-performing as at 31 December 2020.

## Determination of disposal proceeds on sale of shares

The amendments clarify that, in the case where shares of a company are disposed of, the market value of which is essentially represented and derived from the market value of immovable property, the proceeds from the disposal of the shares shall be considered as the proceeds from the disposal of the property, as declared by the contracting parties, adjusted for the market value of any other assets and liabilities.

## Property exchanges

The amendments provide that exchange of land for apartment/land for development (i.e. a consideration in kind – “αντιπαροχή”) shall also be exempt from CGT as an “exchange of property” subject to conditions.

## Penalties

The amendments significantly increase penalties in the event of non-compliance and/or non-adherence to requests for compliance or information. Penalties are either a fixed sum (increased to EUR250 from EUR100 for individuals and EUR1k from EUR100 for companies) in the case of non-compliance or on a percentage basis for failure to settle outstanding taxes (5% initially plus an additional 5% if payment is delayed by more than two months).

# 04. Assessment and Collection of Taxes Law

## Taxpayer Registration

The Tax Commissioner can register anyone in the Tax Register and communicate that registration either by registered mail to the last declared postal address or by electronic mail to the last declared email address of that person, as provided to any competent authority in Cyprus, or by any other method the Tax Commissioner deems sufficient.

Individuals need to register in the Tax Registry and obtain a Tax Identification Number if:

- They live in Cyprus and are 25 years old or older; or
- They earn income that is taxable under the ITL.

As a transitional measure, an individual that has no taxable income for 2026 and 2027 and is not yet registered with the Tax registry, may do so by 31 December 2027.

## Tax Compliance (Filings and Payment of Tax)

The amendments have set out guidelines as to which persons are obliged to file a tax return and revised deadlines for submissions of tax returns and payments of taxes due:

- Tax resident individuals between the ages of 25 and 71 are obliged to file a tax return irrespective of whether they have income or not;
- All Cyprus tax resident individuals that have income taxable under the ITL are obliged to file a tax return;
- Non-tax resident individuals and companies that earn income that is subject to tax under the ITL are now obliged to file a tax return subject to certain objections.

The Council of Ministers may, by decree published in the Official Gazette of the Republic, determine:

- The categories of persons exempted from the obligation to submit a tax return and set out relevant criteria;
- The deadline for the submission of tax returns for both companies and individuals.

A Tax Calendar is provided hereinbelow as to the deadlines accompanied by explanatory notes also regarding transitional filings for tax years 2024-2025.



## 04. Assessment and Collection of Taxes Law

### Retention Period and Statute of Limitations

The retention period under the ACTL has been increased to 6 years from the date of submission of the tax return for the relevant year or the submission of a revised tax return for the relevant year, whichever is latest (it was previously six years from the end of the year in question). Such retention period is extended in the event of a tax audit for the period of 1 year from the commencement of the tax audit up until the completion of the relevant tax audit whichever is the earliest.

The Tax Commissioner is likewise vested with the right to issue an assessment within a period of 6 years from the date of submission of the tax return for the relevant year or the submission of a revised tax return for the relevant year, whichever is latest.

### Tax Objections

The deadline for filing of tax objections (that may now also be filed electronically) is extended to 60 days from the issue of an assessment from “the end of the following month” as was the case. For assessments issued in December, the objection may be filed by the end of February of the following year.

### Electronic Payment of Rent

As of 1 July 2026, rent payments regarding Cyprus situated immovable property must be carried out exclusively through:

- Bank transfer; or
- Payment by debit or credit card; or
- Any other recognized electronic payment method.

Recipients must not accept payment of such rent by any other means of collection.

### Settlement of Taxes

#### Priority Order

Payments made toward a specific tax liability are applied to the outstanding amount in the following order:

1. Interest for late payment of tax;
2. Additional charges and monetary penalties for late payment of tax;

3. Monetary penalties and administrative fines;
4. Monetary penalties for late submission of a tax return;
5. The original amount of tax and any additional tax imposed.

#### Set-off mechanism

In the event of a refund, the Tax Commissioner may deduct any outstanding tax and contributions when making the refund payment following a priority order, starting with the oldest overdue amounts and applying the aforementioned priority order.

### Double Tax Relief

The amendments provide that in the event where a claim for granting a tax credit on taxes paid abroad is submitted more than six (6) years after the end of the tax year, but within six (6) months from the date on which the corresponding amount of tax payable in the other country has been determined, the tax assessment may be carried out no later than within a period of one year from the date of submission of the supporting documents and information for the claim.

### Sealing Business Premises and Suspending Operations

The amendments provide the Tax Commissioner, following a process of notices and the issue of a final warning, with the discretion to temporarily shut down a taxpayer's business and seal the business premises if the taxpayer:

- Doesn't file required tax returns (at least 2 annual income tax returns, 12 monthly withholding returns, or 3 VAT returns, on or after 1 January 2027);
- Has a liability of more than EUR20k in taxes due (including penalties) including VAT, WHT and income taxes;
- Did not issue proper and accurate invoices or receipts;
- Prevents or otherwise obstructs tax officers from doing an audit.

The shutdown can last up to an initial period of 10 days with the possibility of extending the shutdown to 20 more days. During the shutdown, the business premises will be sealed with tape stating “Operation suspended due to tax violations”.

## 04. Assessment and Collection of Taxes Law



The Tax Commissioner may seek police assistance for the implementation of a sealing order.

Any attempt to break the seal and operate the premises is a criminal offence punishable with a 2-year imprisonment and/or a fine up to EUR30k.

The shutdown order is subject to judicial recourse and may be lifted only with the taxpayer's compliance.

### Penalties and Monetary charges

The amendments significantly increase penalties in the event of non-compliance and/or non-adherence to requests for compliance or information. More specifically, penalties and fines have been set in accordance with the nature and size of the taxpayer ranging from EUR150 for individuals in the case of non-compliance with a prescribed deadline to EUR1k for companies with a turnover in excess of EUR1mln.

### Liability of Company Directors survives their resignation

Company directors continue to bear all responsibilities assigned to them under the ACTL in relation to the company during their term of office, even if, at the time of any administrative or judicial action is launched under the ACTL, they have been removed from the register of directors and secretaries due to resignation or otherwise. Specific provisions and stipulations have been introduced in respect of late notifications to the Registrar of Companies as regards changes to the Board of Directors.

### Other points of interest

- All partners of a partnership required to register in the Tax Registry must submit, an annual tax return of their taxable share from the partnership to the Tax Commissioner. The return must also include the names and addresses of the other partners and the amount of each partner's share of taxable income for that year. As regards partnerships or mutual funds registered under the Alternative Investment Funds Law or the Open-Ended Collective Investment Schemes Law as the case maybe, the unitholders will be exempt from this obligation and the relevant information shall be submitted by the external manager, the general partner, or the Fund Manager, as applicable;
- The Tax Commissioner is entitled to request any person, via written notice, to provide information, documents, or evidence related to their tax liability for any tax year (or that of another person's), as deemed necessary. The Tax Commissioner also has the right to determine how the requested information should be submitted, including digital or electronic forms enabling structured and automated data processing;
- The thresholds for the compulsory preparation of financial statements that are audited/reviewed accordingly regarding sole practitioners have been increased to EUR120k from EUR70k;
- Following the completion of a tax audit, no revised tax returns will be allowed to be filed subject to the discretion of the Tax Commissioner.

## 04. Assessment and Collection of Taxes Law

### Indicative Tax Calendar for Tax year [X]

|  | 31/1  | 31/3 | 31/7 | 31/12 |
|--|---|------|------|-------|
| Payment of Special Contribution for the Defence for deemed dividend distribution purposes of [year X-2] only for years 2024 and 2025 <sup>5</sup>  | ✓   |      |      |       |
| Submission of the corporate tax return and payment of final tax of [year X-2] of companies that are not Cyprus tax resident but have income that is taxed under the provisions of the ITL <sup>2</sup> | ✓   |      |      |       |
| Submission of the corporate tax return and payment of final tax of [year X-2] of a Cyprus tax resident company   | ✓   |      |      |       |
| Submission of personal tax return of [year X-1] and payment of final tax of individuals not preparing accounts <sup>1</sup>  |   |      | ✓    |       |
| Submission of personal tax return of [year X-1] and payment of final tax of individuals preparing accounts <sup>1</sup>  | ✓   |      |      |       |
| Submission of personal tax return and payment of final tax of individuals of [year X-1] that are not Cyprus tax residents but have income that is taxed under the provisions of the ITL                |   |      | ✓    |       |
| Submission by employers of total payroll of [year X-1] (Form TD7) <sup>3</sup>   |   | ✓    |      |       |
| Payment of first/second installment of provisional tax for [year X] <sup>4</sup>   |   |      | ✓    | ✓     |
| Last day for submission of revised temporary tax   |   |      |      | ✓     |
| Payment of Special Contribution for the Defence for [year X] on dividends and interest from sources outside the Republic   | Paid by self-assessment by the deadline for submitting the tax return for the relevant year |      |      |       |
| Payment of Special Contribution for the Defence withheld on payments of dividend and interest <sup>5</sup>   | End of following month  |      |      |       |
| Payment of tax withheld from employee's salary (PAYE)  | End of following month  |      |      |       |
| Payment of tax withheld on payments made to non-Cypriot tax residents  | End of following month  |      |      |       |

#### Further notes:

- The obligation to submit a tax return does not apply to individuals, for all tax years up to December 31, 2025, whose annual gross income falls below the tax-exempt threshold of EUR19.500 applicable at the time.
- For tax years prior to 2025, the amendments provide that the payment of final tax with assessment shall be carried out as follows:
  - where the last date for submitting a tax return by a person is July 31 of the year following the tax year, the last date for payment of the tax shall be July 31 of the year following the tax year; and
  - where the last date for submitting a tax return by a person is March 31 of the year following the year after the tax year, the last date for payment of the tax shall be August 1 of the year following the tax year.

- All individuals between 25 and 71 years old (inclusive) will need to submit a personal tax return; individuals not falling into the age band will only need to submit a personal tax return if they have income that is taxable under the provisions of the ITL.
- A non-resident company whose entire gross income that is taxed under the ITL has been subject to WHT under the provisions of the ITL is exempted from the filing of a tax return
- The TD7 shall include both full-time and part-time employees, employees employed under a contract, persons to which a pension was paid by the employer and persons to which a facility was provided from which a benefit arises for the person under the provisions of the ITL and shall contain:
  - Name, identity card number, tax identification number, date of birth, email address, and residential address;
  - The date employment commenced and/or the date employment was terminated;
- For tax years up to tax year 2024 the Tax Commissioner may determine alternative details for the purpose of identifying the person in the event where any of the required details are not available
- For companies incorporated in Cyprus or becoming Cyprus tax residents of Cyprus and individuals that began earning income other than emoluments in [year X], provisional tax for [year X] shall be submitted and estimated tax shall be paid by 31 December of [year X].
- Special contribution for the Defence on dividends that have been distributed from profits arising in years 2024 and 2025 shall be paid on December 31, 2028, with respect to dividends distributed from profits of the year 2024, and on December 31, 2029, with respect to dividends distributed from profits of the year 2025.

## 05. Collection of Taxes Law

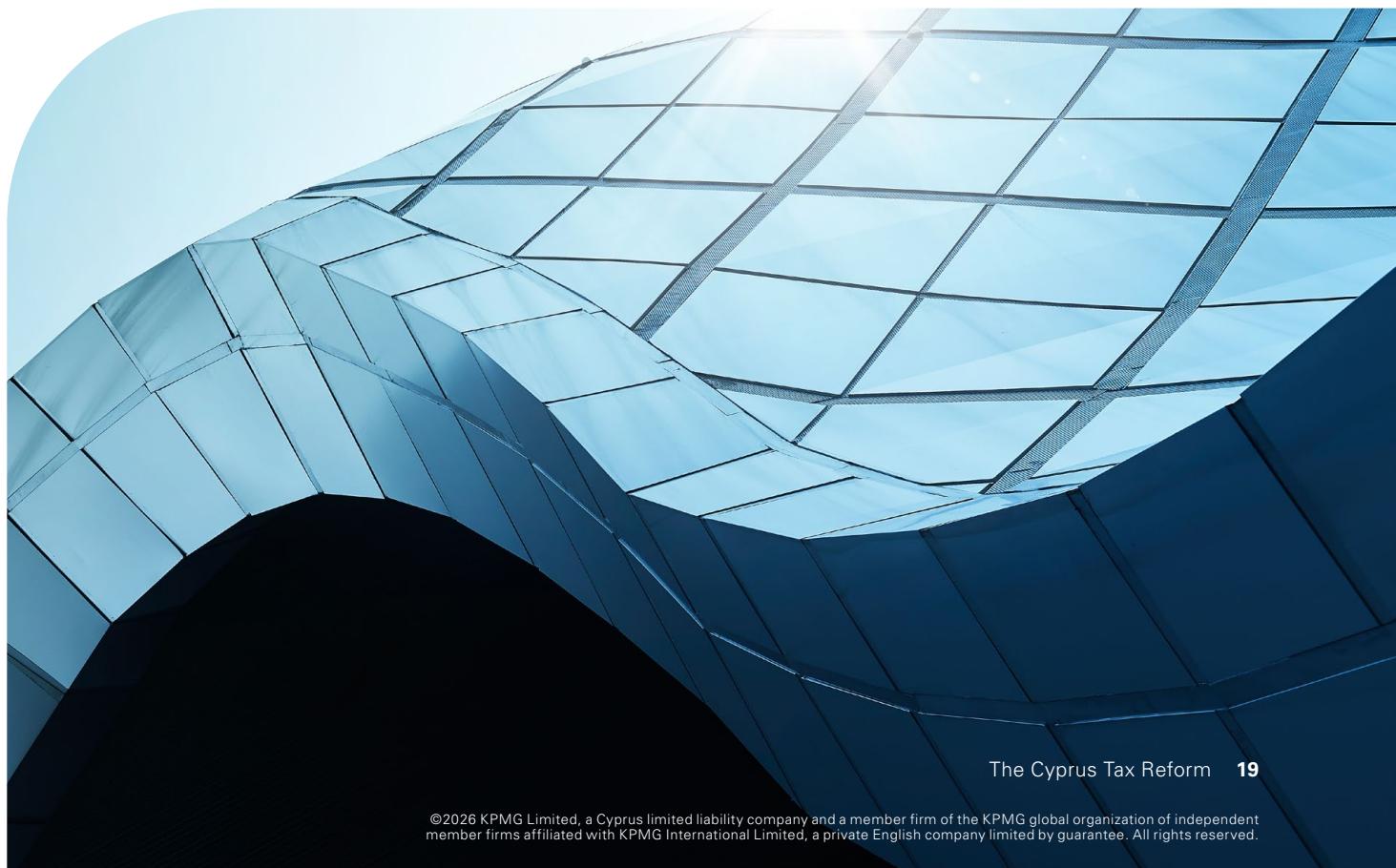
The amendments introduce the discretion of the Tax Commissioner to pledge shares owned by a taxpayer who owes taxes exceeding EUR100k in the event where the taxpayer fails to pay the tax within 30 days of the due date (excluding cases with ongoing disputes, instalment agreements, or waivers). In such cases,

the Tax Commissioner may place a pledge over the shares as a security for the tax due; such pledge may be up to double the amount due including interest and charges. The amendments further provide for the process to be followed and the taxpayer's recourse rights to that effect.

## 06. Stamp Duty Law

The Stamp Duty Law is fully abolished as of 1 January 2026. As per an [announcement](#) issued by the Cyprus Tax Department on 09/01/2026, documents that were drafted and signed, even by one contracting party, up to 31/12/2025 will

remain subject to stamp duty as defined in the Stamp Duty Laws of 1963 to 2025 and must be stamped according to the procedures in force until 31/12/2025.



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