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Executive Summary

Cyprus has introduced a comprehensive reform of its tax framework, representing the most significant changes to the country's tax system in more than two decades. The reform introduces changes affecting both businesses and individuals.

Most of the amendments are effective as of 1st January 2026.

The following laws have been affected:

- Stamp Duty Law
- International Trust Law
- Collection of Taxes Law
- Assessment and Collection of Taxes Law
- Capital Gains Tax Law
- Corporate and Personal Income Tax Law
- Special Contribution for Defence

Stamp Duty Law

Effective 1st of January 2026 stamp duties have been abolished. Documents that were prepared and signed up to 31/12/2025 will still be subject to stamp duties and relevant procedures that were enforced prior to the amendment.

International Trust Law

Effective 1st of January 2026 stamp duties will not apply on Trust Deed of International Trusts.

Collection of Taxes Law

If an Individual owes taxes more than 100,000 and fails to comply within 30 days of the due date (this does not apply in cases of ongoing objections, instalment agreements, guarantees or waivers/write off), the Commissioner of Taxation can register a memo over the shares owned by this person as a security for the debt up to two times the owed amount including interest and charges.

Before the memo is imposed through the Registrar of Companies, the Commissioner must notify in writing the taxpayer and allow a 30 days notice (from the date of notification) to respond, after which the Commissioner may confirm, cancel, modify, or change the decision after considering any representations from the taxpayer.

The memo is officially registered within the Registrar of Companies and prevents transfer of shares while in effect.

The taxpayer can apply to court to cancel the memo in case the taxes are paid or to propose a different settlement that would benefit both parties. The Commissioner will have 15 days from the date of the court order to remove/cancel the memo.

Assessment and Collection of Taxes Law

The Commissioner of Tax can collect and process personal data, including assessing data from various sources.

- 1) The below have an obligation to submit an annual tax declaration:
 - Cyprus tax resident individuals if:
 - They have gross income as defined by the income tax law during the year, or/and
 - 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 incomes, in their entirety, have been subject to withholding taxes in Cyprus pursuant to article 24 of the income tax law

Decreed may regulate exceptions from the obligation of filing returns and/or regulate deadlines for submission of returns and payment of tax liabilities.

- 1) The deadline for submission of Tax returns by companies and individuals who prepare audited financial statements has been set at the 31st of January of the year that follows (13 months from tax year end). The payment deadline is aligned with the tax return submission deadline.

The deadline for the submission of the income tax declaration for individuals remains the 31st of July of the year following the year of assessment.

- 2) The threshold for annual income for individuals to have an obligation to prepare audited accounts is increased from €70.000 to €120.000.
- 3) Effective 1st of January 2026, documentation of tax returns, books & records shall be kept for a period of 6 years from the submission deadline of the applicable tax declaration, or submission of the amended tax return. Whichever is later.
- 4) The Commissioner of Tax has the right to register a person within the Registry of Taxpayers and inform such person accordingly.

For the tax years 2026 and 2027 individuals that do not have income and do not have a TIN they must register within the Registry until 31st of December 2027.

Companies have an obligation to be registered within 60 days of incorporation day.

- 5) The deadline of the submission of the Annual Employers declaration is set for the 31st of March of the following year.
- 6) Partnerships will have an obligation to submit tax returns.
- 7) The final payment of tax through the self-assessment method for companies/individual who have audited financial statements is on the 31st of January of the year following the year of

assessment. Previously, the deadline was 1 August of the year following the year of assessment.

- 8) The deadline to submit an objection is extended to 60 days from the day of issue of an assessment. In the case an assessment is issued within December, the objection can be filed no later than the end of February of the following year

The Commissioner of taxation has authority to request any person (via written notice) to provide documentation regarding their tax liability for any tax year.

- 9) The threshold for annual income for individuals to have an obligation to prepare audited accounts is increased from €70.000 to €120.000.

- 10) The Commissioner of Taxation has the right to suspend business operations and seal the premises of a Company if certain serious tax-related violations occur, including:

- Failure to submit Tax Declarations (2 under Income Tax, 12 withholding tax or 3 VAT returns)
- Failure to pay taxes, contributions or VAT exceeding 20,000.
- Issuing inaccurate or failing to issue required tax invoices or receipts.
- Obstructing Tax audits.

The suspension may last up to 10 days but can be extended for an additional 20 days.

A director will be held liable for actions or omissions that have taken place during their term.

- 11) When a taxpayer makes a payment toward an outstanding tax liability, the payment is applied in the following order of priority:

- Interest accrued.
- Additional charges and monetary penalties for late payment.
- Monetary charges and administrative fines.
- Monetary charges related to late submission of tax returns.
- Principal tax amount and any additional tax imposed.

If a taxpayer is eligible to a tax refund the Commissioner of tax may at their discretion offset any outstanding tax debts or contributions from the tax refund.

- 12) Rental payments for immovable property located in Cyprus must be made exclusively through one of the following methods:

- Debit/Credit card
- Bank Transfer
- Any other recognized electronic payment method.

Rent recipients are prohibited from accepting any rent payments that are made through means other than the above.

13) Delayed submission penalties have been increased:

- Personal Tax Declaration has been increased to €150 one off.
- Company Declarations have been increased to €250 (for Companies with under €1 million turnover) and €500 (for Companies over €1 million turnover).

In cases of non-Compliance with a prescribed deadline by law and after a formal notice of at least 60 day the penalties are as follows: for individuals €300, for Companies with under €m Revenue €500 and for Companies with over €1m Revenue €1,000.

Capital Gains Tax Law

1) Lifetime exemptions for individuals have been amended as follows:

Property Type	Old Threshold	New threshold
Immovable property	€ 17,084.00	€ 30,000.00
Agricultural land	€ 25,629.00	€ 50,000.00
Primary Residence	€ 85,430.00	€ 150,000.00

- 2) The definition of shares that directly or indirectly own immovable property has been amended in order to include shares which derive 20% (as opposed to 50% previously required) of their value from immovable property situated in Cyprus.
- 3) No tax is charged from the gain from disposal of shares listed in a regulated market of a recognized stock exchange.
- 4) No tax is charged on gains from disposal of share listed on an unregulated market provided the total value in a calendar year does not exceed €50,000.
- 5) The exception for sale of primary residence when such property is sold as part of loan restructuring procedure is increased from €350.000 to €450.000. This exception shall apply until 31 December 2030.
- 6) It is clarified that the term 'exchange of property', which is not considered a disposal of property for capital gains tax purposes, also includes the exchange of property with a land developer. The exchange must be made with a 'land developer' as defined in the Streets and Buildings Regulation Law and the relevant development must be completed within 5 years as from the date that the relevant agreement is entered into by the contracting parties.
- 7) Fines and charges for capital gains tax related offences for individual is as follows:

Failure to submit return/info:

- €250 for individuals
- €1,000 for companies

Failure to submit upon Commissioner's request:

- €500 for individuals
- €2,000 for companies

Income Tax Law

Corporate Taxation

- 1) Corporation tax increased from 12.5% to 15%.
- 2) Cyprus Tax resident company definition has been extended to include companies that have been incorporated under Cyprus Company Law regardless if another country considers them as a tax resident in their domain.
- 3) Companies are no longer subject to Special Defence contribution on passive interest and rental income; these incomes will be taxed at 15% through Corporation tax.
- 4) Tax losses can be carried forward for 7 years rather than 5 years.
- 5) Group relief: A company must first offset any taxable income against its own tax losses being carried forward before can utilize any losses of other companies belonging to the same group for group relief purposes.
- 6) A deduction equalling to 200% of the cost-of-living adjustment payment made by an employer to its employees is granted (subject to conditions).
- 7) Entertainment expenses are now calculated at lower of:
 - 1% of Revenue
 - Actual Expense
 - €30,000 (previously €17,086)
- 8) The 20% super deduction in relation to Research & Development expenses has been extended until 31/12/2030.

The deduction cannot be claimed on expenses relating to an asset benefiting from the provision of the IP regime. Rent payments which are not made electronically will be consider as disallowed expenditure.
- 9) Interest expense deduction for 100% investments will be disallowed if the subsidiary is in the EU blacklist.
- 10) Exemption on profits from PE (Permanent Establishment) will not be available if the PE is in a blacklist jurisdiction of EU.
- 11) Exit Taxation was introduced, the tax basis of assets should equal the fair value when a Company establishes tax residency in Cyprus from a non-EU country.
- 12) From 1st of January 2031, gains arising from redemption of units/shares in a collective investment scheme will be considered as dividends.

13) Extension until 31st of December 2030 of capital allowances in respect of energy efficiency of buildings and electric vehicles:

- Energy efficiency of a building 7% (prior to 3%)
- Investments in machinery and equipment for renewable energy systems or any investment on systems that increase energy efficiency 20% (prior 10%)
- Commercial Electronic Vehicles, taxis and buses 33,3%.

14) Accelerated capital allowances of 25% for investments regarding machinery and facilities regarding agriculture activities.

15) Useful economic life of intangible assets for tax purposes is set at 20 years.

16) Transfer pricing thresholds have been amended to:

- Sales/Purchases of Goods to/from related persons: €5m
- Financing Transactions to/from related persons: €10m
- All other transactions to related persons: €2,5m

17) Gains arising from non-mining of Cryptocurrencies such as:

- Gift of Crypto asset.
- Exchange of crypto asset with another crypto asset.
- Sale of Crypto asset.
- Use of Crypto asset for payment.

are subject to a flat 8% tax for both companies and individuals. The provisions of this special mode of taxation do not apply for gains on crypto assets which were acquired through mining.

Losses from crypto assets can only be set off against gains from other crypto assets of the same person for the same year. These losses cannot be carried forward or utilized for group relief.

18) Share Option schemes:

Benefits derived from employees and directors in the form of share option rights or right for acquisition of share are subject to a flat tax rate of 8%.

The 8% flat 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 applicable employee/director in the year of vesting, Any/if excess amount of benefit is subject to general rates applicable to other types of income.

Said rights must have a minimum vesting period of 3 years from the date of the relevant scheme is approved by the Commissioner of Taxation and be not transferable.

The shares must relate to shares of the company/ employer or a company holding directly or indirectly shares to the aforesaid company and must carry the same rights as the ordinary shares of the issuer (with the exception of voting rights) and have a minimum strike price of 50% of the value of the shares of the relevant company at the time the scheme is approved by the Commissioner.

The total benefit cannot exceed the amount of €1m in a 10-year employment.

The 8% flat rate does not apply for related party persons.

19) Employment Income provisions have been extended to include:

- Benefits towards an individual to accept employment prior to the commencement of employment.
- Ex gratia payment regarding retirement (including early retirement) or termination of employment. Any amount that exceeds €200,000 are taxed at 20%.
- Any benefits through Early Retirement Scheme that exceed €200,000 are taxed at 20%.
- Compensation for termination of employment, any amount that exceeds €200,000 are taxed at 20%.

Personal Taxation

- 1) The condition for an individual not to be a tax resident in another state for them to be a Cyprus Tax resident is removed.

This results in the new conditions being as follows:

- Does not stay at another Country for more than 183 Days and
- Stays more than 60 Days in Cyprus and
- Owns or rents a property which they reside in and
- Has a business, is an employee or hold an office in a Cyprus Company.

- 2) The individual tax brackets have been amended to:

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

- 3) Up to €500 for insurance premiums paid have been introduced regarding residential insurance against the risk of natural disasters.
- 4) New family income allowances have been introduced, based on the following thresholds:
 - €100,00 in case of no children

- €100,000 for up 2 children
- €150,000 for 3 to 4 children
- €200,00 for 5 and more children

With children (up to 24 years old if the child is dependent)

In case of a single person up to €40,000.

For calculation of family income, we consider the gross income earned within the tax year by all members of the family. This includes salaried income, pensions, rents, interest and dividend income, alimony payments, grants from Cyprus Agricultural payment organizations as well as any public assistance provided by the Social Welfare Services and any other grants/allowances and sources of income abroad Cyprus.

The following are excluded from family income calculation:

- Income from children who are fulltime students/pupils from employment
- Alimony payments
- Student grants
- Student welfare benefits and scholarships
- Allowances and grants to vulnerable people with disabilities or chronic illness.

In cases where the taxpayer resides with another person with whom they have joint/common children their gross income is also taken into consideration.

For tax purposes a family for the purposes of calculating gross family income consists of:

- Parents who reside together along with their children and the children of one or the other parent, provided that those children live with the parents under the same roof.
- An unmarried widow or divorced father and his children who live with him under the same roof.
- An unmarried widow or divorced mother and her children who live with her under the same roof.
- The children of the family mentioned in the first point above in case both parents are deceased or missing or the children of the families referred in the second or third point when the father/mother is deceased or missing, who live under the same roof with the person that have custody of them, their spouse (if any) and their children (if any) provided they live under the same roof.
- A married father and his children who live under the same roof provided that the mother is serving a prison sentence of 6 months or more.
- A married mother and her children who live under the same roof provided that the father is serving a prison sentence of 6 months or more.
- Spouses or civil partners who do not have common children or who do not live under the same roof with any children of one or both of them.

A dependent child is considered the biological or legally adopted child who as at 31 December of the relevant tax year is:

- Under 18 years old.
- A secondary education student under 20 years old.
- A soldier in the National Guard under 21 years old.
- A student under 24 years old.
- A child who is permanently deprived of the ability to support themselves regardless of age.

The allowances to each parent are:

- €1,000 for the first dependent child.
- €1,250 for the second dependent child.
- €1,500 for the third child and every additional child.

In case of single parent family, the above allowances are double.

5) Up to €2,000 additional allowances for spouse, partner or single person regarding:

- Interest paid regarding a mortgage loan for the primary residence in Cyprus.
- Rent expense of primary residence located in Cyprus.

6) Up to €1,000 additional allowances for spouse, partner or single person regarding:

- Capital expenditures for improving the energy efficiency of a primary residence located in the Republic.
- Capital expenditures for technical energy efficiency systems of the primary residence (renewable energy systems as well as batteries for storing electrical energy).
- Capital expenditure for acquisition of electric vehicles registered within the Department of Road Transport.

Special Contribution for Defence

- 1) A non-domiciled individual whose non-dom status has expired is considered to be domiciled in Cyprus. Such individuals may choose to be subject to an alternative method of tax for 5 consecutive years by paying an amount of SDC of €250,000 in one instalment. It is important to note that this method is irrecoverable and is subject to the approval of the Tax Commissioner. This method can be chosen up to two times.
- 2) Effective 1st of January 2026 rental income is not subject to SDC.
- 3) Effective 1st of January 2026 interest income received by a Cyprus Tax resident Company will not be subject to tax, it will be subject to Corporation Tax. Interest income received by a Cyprus Tax resident and domiciled individual will only be subject to 17% SDC (3% applies to saving certificates, government bonds of Cyprus/EU country and certain listed EU countries. Low-income earners < €12,000 may be eligible for refund).

- 4) Interest income received by any religious, charitable or educational institution of public character that is a tax resident of Cyprus is subject at 17% SDC.
- 5) The concept of dividends received has been widened and now includes the following in addition to "normal" dividends:
 - Capital Reduction.
 - Dissolution.
 - Liquidation.
 - Redemption of share in open-ended or closed-ended collective investments companies.

In any of the above cases, the amount of dividend will be the market value of the asset deducted by:

- Capital actually paid into the Company by the shareholder and not previously reduced.
- Capital Gains Tax paid.
- Disguised Dividend (if any).

6) Dividend Income – For Individuals

From 1st January 2026 the tax rate for any actual dividend income received by a Cyprus Tax Resident domiciled individual will be 5%, provided that the distributed profits were generated from 01/01/2026 onwards (profits prior to 01/01/2026 will be taxed at 17%).

7) Dividend Income – for Companies

- A Cyprus Tax Company receiving dividends indirectly from another Cyprus Tax Resident company, after the lapse of 4 years from the end of year in which the profits are distributed is subject to SDC at 17%. This applies to dividends received up to 31/12/2031 from profits up to the tax year 2023.
- A company that is a tax resident of Cyprus which directly receives dividends from another Cyprus Tax Resident company from profits prior to 01/01/2026 will be subject at 17% SDC.
- A non-tax resident company who is in a low tax jurisdiction will be subject to SDC at 5% on any dividends received by a resident company of Cyprus.
- A non-tax resident company who is in a non-cooperative jurisdiction will be subject to SDC at 17% on any dividends received by a resident company of Cyprus.
- In the above cases the SDC will be withheld and collected through TD603 which will be submitted by the Cyprus resident Company.

8) Disguised/Hidden Dividends

The concept of disguised dividends is introduced for direct and indirect shareholders who are natural persons. An SDC rate of 10% applies on the disguised dividends. It applies in the following cases:

- Private use of a company asset by the shareholder individual (or an individual related to the individual shareholder).
- Assets disposed by the company to an individual shareholder (or an individual related to the individual shareholder) at a consideration which is below fair market value.

9) Deemed Dividend Distributions

DDD has been abolished effective 1st of January 2026, the last DDD obligations will be for the profits of year 2025. The submission and payment deadline will be 31/08/2028.

Penalties

	Individuals	Legal Persons	
		Turnover or Assets	
		Over 1m	Under 1m
For delayed submissions	€ 500.00	€ 2,000.00	€ 1,000.00
For delayed submissions after 60 days notice from the Commissioner of Tax	€ 1,000.00	€ 4,000.00	€ 2,000.00

	Individuals	Legal Persons	
		Turnover or Assets	
		Over 1m	Under 1m
For non compliance of duty that does not have a submission deadline after a notice of 60 days from the Commissioner of Taxation	€ 1,000.00	€ 4,000.00	€ 2,000.00
For non compliance which concerns submission of information or duties related to another person and for which no deadline exists after a formal notice from the Commissioner of Taxation	€ 500.00	€ 2,000.00	€ 1,000.00

5% penalty for late settlement of outstanding amounts.

Additional 5% if payment is delayed for more than 2 months.

Failure to pay SDC as required by law constitutes criminal offence subject to significant financial penalties and possible imprisonment for repeated offences.

The law allows courts to impose fines up to €5,000 for first offenses and up to €10,000 or imprisonment for repeated violations.

For any queries please do not hesitate to contact us at 25024500 to discuss with a member of our Tax Department or email us at tax@fandeos.com.