



Updated thresholds for the exemption from obligation to prepare Cyprus Local File

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In brief

The Cyprus Tax Department (“CTD”) issued a letter on 1 February 2024 informing the Institute of Certified Public Accountants of Cyprus (among others) of the Ministry of Finance’s intention to revise the thresholds for the exemption from the obligation to prepare a Cyprus Local File, from EUR 750,000 to EUR 5,000,000 for controlled transactions falling under the category of financial transactions and to EUR 1,000,000 for all other types of controlled transactions. The revised thresholds are to be applied from the tax year 2022.

In detail

Scope

As per the letter issued by the CTD on 1 February 2024 the Commissioner of Taxation informed of the intention of the CTD and the Ministry of Finance to proceed with an amendment of the Cyprus Income Tax Legislation so as to revise the current threshold of EUR 750,000 in aggregate per category of transaction for the exemption from the obligation to prepare a Cyprus Local File as per the provisions of Article 33(9)(a) of the Income Tax Law as amended.

A draft bill for the amendment of the legislation is being prepared by the Ministry of Finance. Until the consultation and procedure for the enactment of the amendment to the legislation is completed, the Commissioner of Taxation has determined that the existing threshold of EUR 750,000 p.a. per category of transaction will be revised as follows:

- EUR 5,000,000 for controlled transactions falling under the category of financial transactions, and
- EUR 1,000,000 for all other types of controlled transactions.

The revised thresholds are to be applied **from the tax year 2022**.

It is clarified that the provisions of the Circular 6/2023 providing for the requirement to maintain Minimum Documentation and for Simplification Measures (safe harbour rates) for certain types of transactions will continue to apply, for all transactions which fall below the above mentioned revised thresholds of Cyprus Local File documentation.

The takeaway

We will be happy to assist in navigating through the changes, determining how they apply to you and what steps you need to take to ensure compliance.

Lets talk

For a deeper discussion of how this issue might affect you or your business, please contact:

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