Tax Insights
from Tax Services Policy

The Cyprus Tax Reform-Bills Published

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In brief

On 22 December 2025, the Cyprus Parliament voted the long-awaited comprehensive tax reform which aims at reshaping the tax system so that it caters with greater flexibility, fairness, and efficiency to modern economic and social demands, as well as improved tax compliance. The relevant laws have been published in the Government Gazette on 31 of December 2025.

The tax reform includes amendments to the following six laws:

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 above will be collectively referred to as the "**Tax Reform Package**".

In brief the main amendments of the Tax Reform Package are summarized below (with a more detailed outline of these and certain other amendments following in the in-detail section of this publication):

ITL	SDCL	CGTL
• Increase of the corporate tax rate to 15%. • Revision of individuals' tax bands. • Extension of loss carry forward to 7 years. • Introduction of specific provisions relating to capital allowances on intellectual property acquired by issuance of shares. • Extension of 9% deemed benefit on financing transactions to indirect shareholders. • Taxation of certain employment related income (e.g. ex gratia payments on inception and termination of employment with certain tax-free amounts applying for some categories). • Special mode of taxation for approved share-based schemes. • Specific deductions for children, students, housing, green transition. • Special method of taxation of gains from crypto assets. • Extension of 120% super deduction for R&D expenditure on intangible assets to 2030. • Increase of transfer pricing local file thresholds. • Extension of general anti-abuse rule to individuals. • Clarity on taxation of interest income (for companies and individuals).	• Reduction of Special Contribution for Defence **("SDC")** rate on dividends to 5% (transitional rules apply regarding Cyprus sourced dividends). • Deemed Dividend Distribution **("DDD")** rules are abolished for 2026 profits onwards. Law provides transitional rules for prior years. • Certain types of incomes will be considered as dividends and be taxed accordingly. • The concept of disguised dividends is introduced for direct and indirect shareholders who are natural persons. A tax rate of 10% applies on the disguised dividends (double the normal 5% SDC rate on dividends). • Special mode of taxation for taxpayers who are deemed to be domiciled in Cyprus. (lump sum taxation). • Rental income is exempt from SDC (only subject to IT). • Withholding tax on dividends paid to low taxed jurisdictions is reduced to 5% while it remains at 17% for dividends paid to blacklisted jurisdictions.	• Definition of immovable property aligned to Immovable Property (Tenure, Registration and Valuation) Law. • The threshold with respect to property rich companies is reduced from 50% to 20%. • Capital Gains Tax ("CGT") exemption only applies to shares listed on the regulated market of a recognised stock exchange. Disposals of shares listed on unregulated markets are subject to CGT above a specific threshold. • Upwards adjustments to CGT lifetime exemptions. • Extension of exemption for exchange of immovable property (under conditions) • Re-definition of basis for calculation of CGT on disposal of shares.

ACTL	CTL	SDL
• Introduction of provisions relating to the collection and processing of personal data by the Commissioner of Taxation. • Change of submission and tax payment deadlines (primarily in relation to companies and self-employed individuals obligated to prepare accounts). • Redefinition of timeline with respect to both the statute of limitation and obligation of taxpayers to maintain books and records. • Introduction of ability of Commissioner of Taxation for suspension of business operations and sealing of premises. • Possibility of claiming foreign tax credit after the 6-year period stipulated in the legislation has elapsed. • Clear determination of order of payment of taxes by a taxpayer together with the order to be followed for set-off of taxes with tax refunds. • Obligation of rental payments to be made electronically. • Provisions regulating liability of directors who have ceased to hold office.	Commissioner of Taxation can register a memo on shares of companies as security for unpaid tax debts.	Stamp Duty has been abolished

In detail

1. The ITL

a. Main Amendments

<table>
<tr><th>Title</th><th>Legislative Amendments</th><th>PwC Observation</th></tr>
<tr><td>Corporate Tax Rate</td><td>Increase in the statutory rate of Corporate Tax from 12,5% to 15%.</td><td>This is in line with earlier declarations of the Cyprus Government.</td></tr>
<tr><td>Corporate Tax Residence</td><td>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.</td><td>This is an evolution of the incorporation test which was introduced on 31 December 2022 as complimentary to the “management and control test”.</td></tr>
<tr><td>Intellectual Property-Capital Allowances</td><td>In case of intangible assets that are acquired in exchange of new shares in the share capital of a company, any capital allowances will be calculated on a capital expenditure which cannot exceed the fair market value of the asset at the time of its acquisition.</td><td>This clarifies the mechanics of calculation with respect to capital allowances in cases of acquisition of intellectual property assets in exchange for shares.</td></tr>
<tr><td>Tax Losses-Carry Forward</td><td>The timeframe for carry forward of tax losses has been extended from five to seven years.</td><td>This is an extension to the loss carry forward period which brings the Cyprus related rules closer to commercial reality.</td></tr>
<tr><td>Individual Tax Rates</td><td>The individual tax bands have been revised as follows:
<table>
<tr><th>Chargeable income (EUR)</th><th>%</th><th>Accumulated Tax</th></tr>
<tr><td>0 - 22.000</td><td>0</td><td>0</td></tr>
<tr><td>22.001 - 32.000</td><td>20</td><td>2.000</td></tr>
<tr><td>32.001 - 42.000</td><td>25</td><td>4.500</td></tr>
<tr><td>42.001 - 72.000</td><td>30</td><td>13.500</td></tr>
<tr><td>Over 72.000</td><td>35</td><td></td></tr>
</table></td><td>This amendment revises upwards the personal income tax thresholds in view of current needs and circumstances of households.</td></tr>
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1. The ITL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Employment Income	The taxing provisions in article 5 (1) (b) and (2) (b) of the ITL have been extended to also include (among others): • Benefits given as an incentive for an individual to accept employment or the taking up of office which are granted prior to the individual commencing employment or taking up office; • Ex gratia payments in relation to retirement (including early retirement) or termination of employment or office (including early termination). Any amounts exceeding EUR 200k are taxed at a 20% rate (not deductible for employer); • Benefits granted through an Early Retirement Scheme: any amounts exceeding EUR 200k are taxed at a 20% rate (not deductible for employer); • Compensation for termination of employment or office when such compensation is not specifically provided for in the terms of employment of the individual (whether these are included in an agreement, regulations or other): any amounts exceeding EUR 200k are taxed at a 20% rate (not deductible for employer); • Any amounts adjudicated by a court with respect to income taxable under the aforesaid articles.	Although a generally stricter approach has been adopted with regards to taxing certain incomes which arise upon taking up or terminating employment, payments on termination of employment maintain a favorable tax treatment in terms of amount and rate.
Deemed benefit on receivables from shareholders and/or directors	Extension of the 9% deemed benefit to indirect shareholders.	Companies and individuals will need to carefully assess financing (or financing-like) arrangements to ascertain the impact of the extension of scope of this change.
Deductions for children, students, housing, green transition	Tax deductions are introduced based on family income and number of children ranging from EUR 1k deduction per child per parent to EUR 2k per child per parent with family gross income ranging between EUR 100k to EUR 200k. Deductions are also provided in cases of single parent families, families where one of the parents has custody of the children (deduction is only available for the parent having custody) or families with joint custody of children.	These changes align with the social and environmental intended aspects of the reform.

1. The ITL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
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 which is 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. The Rights must: a. Have a minimum vesting period of 3 years with the vesting period starting as from the date that the relevant scheme is approved by the Commissioner of Taxation; **and** b. Be non-transferable; **and** c. Relate to shares of the company/ employer or a company holding directly or indirectly shares of the aforesaid company and must carry the same rights as the ordinary shares of the issuer (with the exception of voting rights); **and** d. Have a minimum strike price not lower than 50% of the value of the shares of the relevant company at the time that the relevant scheme is approved by the Commissioner of Taxation. The total benefit subject to the 8% rate cannot exceed the amount of EUR 1m in a ten-year period of employment. Moreover, the benefit of the 8% flat rate does not apply in cases where the Rights are granted to a person which is considered as a related party for the purposes of article 33 of the ITL.	This is a welcome development, mostly targeted towards new enterprises, which aims to boost the attraction of quality employees to Cyprus.
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 (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; • Expenses with respect to the acquisition of property, plant and equipment (including expenses for the acquisition of residence for employees) on which capital allowances can be claimed pursuant to article 10 of the ITL cannot benefit from the specific provisions of the ITL with respect to R&D expenses; • A Super Deduction cannot be claimed on expenses relating to an asset benefiting from the provisions of the IP nexus regime.	The extension of the Super Deduction is a welcome development. The clarification of some uncertainties on the interaction of this provision with the Cyprus IP regime is also welcome.

1. The ITL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Crypto Assets (as defined in Regulation (EU) 2023/1114) - Taxation of certain gains	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, the ITL indicates that 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.	A balanced approach has been adopted whereby gains of capital nature, which would have otherwise not been taxable, together with gains of trading nature which would have been taxable at the rates of 15%-35%, are under this special regime both taxed at the relatively low rate of 8%.
Transfer Pricing Thresholds	The thresholds for local file have been adjusted as follows: 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.	The increase of the relevant thresholds is a positive development whose practical impact will nevertheless be limited in view of the minimum documentation requirements.
GAAR	The GAAR of the ITL has been amended to explicitly cover any transactions or arrangements which give rise to income tax, irrespective of whether such income tax arises in the hands of a company or a natural person.	The GAAR was initially introduced as part of transposing of the EU Anti-Tax Avoidance Directive which was aimed at companies rather than individuals. The amendment strengthens the position of Cyprus against abusive practices.

1. The ITL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Interest Income for Companies and Individuals	Interest accruing to individuals will be subject to the provisions of the SDCL and be exempt from ITL, while interest earned by or accruing to companies will be subject to the provisions of the ITL and be exempt from SDCL. Refer also to the SDC section below.	This is an amendment which brings clarity and certainty of tax treatment of the interest income of companies and individuals alike and can be considered as an overall positive development for both.

b. Other Amendments - Corporate Income Tax

- The law now allows for expenses up to EUR 300k to be deductible with respect to the floating of shares in a recognised stock exchange (subject to conditions);
- Income derived (a) with respect to contributions made to an approved provident fund established in Cyprus or the EU; or (b) pursuant to an approved insurance contract aiming to provide bulk or periodic pension payments to its beneficiary, is considered as exempt income for the purposes of the ITL;
- Similarly to intangible assets, any capital allowance with respect to assets acquired in exchange for new shares in the share capital of a company will be calculated based on the fair market value of the asset at the time of acquisition;
- The ITL now clarifies that before any group relief a company must first offset any taxable income against its own brought forward losses;
- The ITL further clarifies the conditions in accordance with which a director of a company is a related party to the company for the purposes of Section 33 of the ITL;
- The ITL now determines the value of assets entering the tax system of the Republic (through an outright transfer of such assets, through the transfer of tax residence of a company to Cyprus or through the creation of a permanent establishment in Cyprus);
- The Insurance Premium Tax for Life Insurance companies has now been abolished; relevant amendments have also been made in ACTL;
- Increase of the ceiling of allowable entertainment expenses from EUR 17.086 to EUR 30k (with the benchmark being maintained to 1% of the gross income of the business);
- The ITL now determines that the useful economic life, for tax amortisation purposes, of intangible assets with indefinite life is 20 years;
- Rent payments which do not adhere to the requirements of article 48A of the ACTL will not be considered as tax deductible;
- Extension to 2030 of the provisions of the ITL with respect to capital allowances relating to the increase of the energy efficiency of buildings and electric vehicles;
- Accelerated depreciation with respect to investments in machinery and facilities with respect to agriculture and livestock farming (except for machinery and facilities relating to irrigation);
- The exemption of foreign permanent establishment profits does not apply in case where the foreign permanent establishment is situated in a blacklisted.

1. The ITL (continued)

c. Other Amendments - Personal Income Tax

- Under the revised 60-day rule for individuals, the previous criterion requiring that the individual "not be a tax resident in any other state" has been removed;
- Income from breach or cancellation or early termination of a contract in cases where the income of such contract would have been taxable;
- Practically, as from 1/1/2031 gains of individuals from the redemption of units and/or shares in closed/open collective investment schemes in the legal form of a company (reduced with 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;
- Tax deductions are introduced for interest expense, or rental expense, for the purpose of primary residence;
- Tax deductions are now extended to include insurance premiums for permanent or partial incapacity;
- Tax deductions are also provided with respect to capital expenses incurred for the increase of the energy efficiency of a primary residence and in relation to electric vehicles;
- The ITL amends certain provisions with respect to the deductibility of contributions to provident funds and life insurance contracts and the tax treatment of the redemption of insurance policies;
- Additional deductions are introduced such as an up EUR 500 deduction for insurance of residence against natural disasters and an up to EUR 50k deduction for gifts or contributions to certain cultural institutions;
- A deduction equal to 200% of the payment for the Cost-of-Living Adjustment made by an employer to its employees is granted provided certain conditions are met.

2. The SDCL

a. Main Amendments

Title	Legislative Amendments	PwC Observation
SDC rate on dividends received by individuals	• Reduction of the SDC rate to 5% from 17% on gross dividends received. • 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. **Notes:** 1. These rates apply 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 the table below). 2. The amount of the dividend received that is subject to taxation is reduced by amounts already subjected to SDC dividend taxation (e.g. amounts already subjected to SDC as 'disguised dividends, see further below). 3. The anti-abuse rule 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 has been updated and applies to direct and indirect shareholdings exceeding 50% of capital, profit or voting rights.	The reduction of the SDC tax rate on dividend income for individuals is a welcome development. However, complexity is added as certain dividends remain subject to 17% SDC for another 6 years and the DDD regime (refer below) is subject to transitional provisions.
Abolition of the DDD rules	The DDD rules are abolished for profits earned as from 1 January 2026 onwards by Cyprus tax resident companies. For shareholdings held on or before 31 December 2025 and with respect to which there is an actual dividend payment corresponding to profits which were taxed under DDD and the dividend is paid to: • A non-Cyprus tax resident, or • A Cyprus tax resident non-dom individual, the recipient is entitled to a refund of tax paid under DDD rules.	This is another welcome development, however, again complexity is added as profits earned prior to 1 January 2026 are subject to transitional DDD provisions (refer below).

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
SDC on dividends received by Cyprus tax resident companies from Cyprus tax resident companies	As previously, such dividends remain generally exempt from taxation. The exceptions by reference to which dividends will be taxed at 17% are: • Dividends received: - in 2026 if paid out of profits from the years ended 31 December 2024 or 2025 - in 2027 if paid out of profits from the year ended 2025. • Dividends received indirectly more than four years from the end of the tax year in which the profits from which the dividend derives were earned. This applies in cases where the dividend is received until 31 December 2031 and derives from profits earned until 31 December 2025. **Notes**: 1. These apply to Cyprus tax resident companies receiving dividends from participations in other Cyprus tax resident companies unless the dividend receiving company is directly or indirectly owned by: • non-Cyprus tax residents, or • Cyprus tax resident non-dom individuals in which case the dividends are exempt. 2. The amount of the dividend received that is subject to taxation is reduced by amounts already subjected to SDC dividend taxation (e.g. amounts already subjected to SDC as 'disguised dividends, refer below).	It is welcome to retain the general non-taxation of dividends received by Cyprus tax resident companies from other Cyprus tax resident companies. The exceptions where such dividends are subject to SDC at 17% are time limited and expire by 31 December 2031.
SDC on dividends received by related companies in so called 'blacklist' jurisdictions (BLJs) and low tax jurisdictions (LTJs)	The rules for dividends paid to related to companies in BLJs were updated in April 2025 and the rules for LTJs were introduced at that time with effect from 1 January 2026. The rate of SDC on in-scope dividends paid to related companies in: • BLJs remains at 17% tax on the gross dividend. • LTJs is reduced from 17% tax on the gross dividend to 5%.	For more information on the BLJ and LTJ provisions please refer to our newsletters N-8-2025 and N-9-2025. Notably, dividends paid by Cyprus tax resident companies to non-Cyprus tax resident companies remain not subject to any Cyprus withholding tax (**WHT**) unless they fall within the BLJ or LTJ provisions

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
SDC on dividends received by Cyprus tax resident companies (or Cyprus permanent establishments of foreign companies) from non-Cyprus tax resident companies	As previously, such dividends remain exempt from taxation unless the exemption does not apply. When the exemption does not apply the SDC rate is reduced from the previous 17% tax on the gross dividend to 5% tax. Foreign dividends are not exempt when: • more than 50% of the paying company's activities result directly or indirectly in investment income and • the foreign tax is less than 50% of the Cyprus tax burden Cyprus.	It is welcome to retain the exemption rules for foreign dividend income received by Cyprus tax resident companies.
The concept of 'dividend'	The concept of dividend received is widened and will incorporate 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. **Note**: 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 BLJ or LTJ provisions (refer above). The BLJ/LTJ provisions have their own concept of 'dividend' that includes capital reductions but does not refer to dissolutions/ liquidations/ redemptions/ capitalisations

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Disguised dividends received by individuals	The concept of disguised dividends is introduced for direct and indirect shareholders who are natural persons. A tax rate of 10% applies on the disguised dividend (double the normal 5% SDC rate on dividends). It applies in the following cases: • Private use of a company asset by the shareholder (or an individual related to the shareholder). • The amount of the disguised dividend is determined as follows: - the market value of the asset at the commencement of the personal multiplied by the initial percentage of personal use (in case the asset is not connected to the company's business the percentage of personal use is 100%.); - the market value of the asset at the time of any increase in the percentage of private use taking into account the increased percentage of private use. - reductions in the percentage of private use do not result in any refund of SDC. • 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. The amount of the disguised dividend is determined as follows: - the market value of the asset on the date of disposal less the amount of consideration. - the dividend is reduced by any amount of disguised dividend already captured under the above private use provisions. **Notes**: 1. These apply to Cyprus tax resident shareholders receiving disguised dividends from Cyprus tax resident companies unless the shareholder benefits from the non-dom regime (refer in this table below).	By charging double the usual SDC rate of taxation the tax regime is effectively seeking to discourage the private use by individual shareholders (or relatives) of company assets or transfers of company assets at undervalue to individual shareholders (or relatives).

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Disguised dividends received by individuals (continued)	2. The disguised dividend provisions do not apply: a. to assets donated to the company by the private use shareholder (or from individual persons related to the individual shareholder); b. where the ITL benefit in kind provisions apply; or c. when the distribution is in the context of a: i. capital reduction; ii. dissolution; or iii. liquidation 3. No refunds of the SDC charged under the disguised dividend provisions are possible. 4. An individual related to the individual shareholder is as per article 33 of the ITL. 5. Assets used by a shareholder (direct or indirect) in relation to which such shareholder has incurred SDC pursuant to the disguised dividend provisions are excluded from the application of article 33 of the ITL.	
DDD transitional provisions	DDD transitional provisions are introduced and apply to profits earned by Cyprus tax resident companies. Profits are deemed distributed and subject to SDC at the rate of 17% on the gross amount of the deemed dividend as follows: • for profits earned in tax years 2024 and 2025: two years after the end of the tax year for 70% of the amount of the profit, i.e. for profits earned in 2024 the relevant date is 31 December 2026 and for profits earned in 2025 the relevant date is 31 December 2027; • upon dissolution of the company: profits of the last five years prior to the dissolution are deemed distributed but only to the extent of profits earned prior to 31 December 2025. **Notes**: 1. The DDD transitional provisions only apply in cases where the profits earned are directly or indirectly attributable to a Cyprus tax resident and domiciled shareholders.	Profits earned in tax years 2023 are to be 70% deemed distributed on 31 December 2025 under the previous DDD rules and therefore profits of 2023 and prior are not subject to the 70% DDD transitional rule.

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
DDD transitional provisions (continued)	2. The amounts deemed distributed are reduced by prior actual dividend distributions and deemed distributions out of the relevant profits. 3. Profits taken into consideration are net of CIT, SDC, CGT and any foreign tax not credited against CIT or SDC. 4. Offsetting of losses and additional depreciation due to the revaluation of movable and immovable assets do not reduce the profits earned. 5. Similarly to the previous DDD rules specific provisions apply to (i) creditors in relation to profits earned related to eligible debt restructurings of immovable property, and, (ii) borrowers in relation to write offs of non-performing loans (that were non-performing on or before 31 December 2015). 6. Profits arising from reorganisations in accordance with conditions as may be determined by the Cyprus tax authorities. 7. These provisions do not apply in cases of dissolution of a company where the company's assets are not sufficient to pay its creditors.	
Interest income received by Cyprus tax resident companies	Such interest income is no longer subject to SDC. It will be in all cases only subject to 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%).	This brings welcome clarity to companies that their interest income is subject only to CIT at 15% on their net profits (as opposed to SDC at the rate of 17% on gross interest income).
Interest income received by individuals	Such interest income is no longer subject to IT. It will only be 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 in which case the rate of SDC is 3%). Note: These rates apply to Cyprus tax resident individuals receiving/ being credited with interest unless the individual benefits from the non-dom regime, in which case the interest is not taxable (refer in this table below).	The practice of the Cyprus Tax Authorities was to generally to consider interest income of individuals as subject to SDC and not IT (and only rarely consider such as subject to IT), thus for many taxpayers this legal change will not result in any change to their tax position.

2. The SDCL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Rental income	Rental income is no longer subject to SDC (in addition to IT/CIT as was previously the case). As per the change, it will only be subject to IT/CIT.	This is a welcome development as previously rental income was subject to both SDC and IT/CIT. This change removes the previous double taxation.
Special mode of taxation for taxpayers who are deemed to be domiciled in Cyprus	It was the case that the non-dom exclusion from SDC ceased to apply for previously eligible Cyprus tax resident individuals when the individual had been tax resident in Cyprus for at least 17 out of the last 20 tax years prior to the tax year under assessment. For such individuals in cases where their eligibility for the non-dom regime is based on the individual having their domicile of origin outside of Cyprus, the period of 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. **Note**: once an individual has been tax resident in Cyprus for at least 17 out of the last 20 tax years prior to the tax year under assessment the individual gains Cyprus domicile for the purposes of the SDCL. A change to the law provides that this domicile status is retained unless a 20-year period of non-Cyprus tax residency is maintained.	As dividend income and interest income for Cyprus tax resident individuals is generally subject to SDC at the rate of 5% and 17% respectively, the fee of €250k for a five-year period would be equivalent to taxation on €5mof dividend income or €1,47m of interest income over the same five-year period (assuming no offsets are available such as foreign tax credits).

b. Other Amendments or PwC Observations

- Interest earned from Cyprus sources by related companies that are in-scope of the BLJ provisions remain subject to SDC at the rate of 17% on the gross interest earned.
- A GAAR is introduced to the SDCL which is similar in nature to the GAAR in the ITL.
- Companies distributing dividends, including disguised dividend distributions, are required to issue a certificate to each shareholder. This certificate must specify the dividend amount paid, any disguised dividend distribution, the SDC withheld by the company on these amounts, and the fiscal year in which the dividends' underlying profits were earned. This measure enhances transparency and ensures shareholders receive clear information about their dividend income and related tax deductions.
- In cases where a shareholder is liable to pay SDC due to a deemed dividend distribution, the company is responsible for initially paying this SDC. Subsequently, the company may recover the amount by charging it to the respective shareholders. This mechanism ensures timely payment of SDC while maintaining clear accountability between companies and their shareholders.

2. The SDCL (continued)

b. Other Amendments or PwC Observations (continued)

- When a company transfers or distributes non-monetary assets, it is responsible for the payment of the SDC. The company may then recover this amount by charging it to the respective beneficiaries. This approach ensures compliance with tax obligations while delineating responsibility between the company and its beneficiaries.
- The SDC on dividends or interest from sources outside the Republic is payable by the deadline for submitting the tax return for the relevant year, as stipulated in article of the ACTL.
- Failure to pay the SDC as required by law constitutes a criminal offense subject to significant financial penalties and possible imprisonment for repeat offenses. The law allows courts to impose fines up to EUR 5k for initial offenses and up to EUR 10k or imprisonment for repeated violations. In addition to penalties, convicted persons must pay the unpaid amount plus additional sums as determined by the court.
- Entities and their responsible officers may also be held jointly liable for violations, underscoring the importance of corporate compliance. The authorities retain the right to pursue outstanding amounts through civil litigation if necessary.
- The SDCL amends also the administrative fines for non-compliance with reporting, declaration, information provision, and payment obligations which are either fixed ranging between EUR 200 to EUR 4k ((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 to the taxpayer.

3. The CGTL

a. Main Amendments

Title	Legislative Amendments	PwC Observation
Immovable property	The CGTL introduces a definition for 'immovable property' which derives from that of the Immovable Property (Tenure, Registration and Valuation) Law.	Definitions now align across relevant legislations.
Property Rich Companies	The definition of 'property', which includes shares of companies which, directly or indirectly, hold shares of companies which own immovable property situated in Cyprus, is amended for reducing the threshold of the immovable property value vis a vis the market value of the said shares from (at least) 50% to (at least) 20%. **Note:** The authorities will need to formally clarify the detailed mechanics per which one calculates the relevant percentage.	Even though the said threshold is substantially reduced aiming to address legacy tax avoidance practices, this is not expected to bring about any significant distortion to the market. Moreover, for foreign investors, one would also need to assess the impact of any applicable double tax treaties entered into by Cyprus the vast majority of which either do not have a property rich clause or the relevant percentage threshold is established at the pre-existing 50%.
Lifetime CGT Exemptions	• General exemption for a natural person has increased to EUR 30k from EUR 17.086; • Agricultural land exemption has increased to EUR 50k from EUR 25.629; • Primary residence exemption has increased to EUR 150k from EUR 85.430.	Welcome amendments to the selected lifetime exemption amounts which align with current market reality.
Basis for calculation of CGT	When shares of a company are sold and their market value is essentially represented by/ derived from the market value of immovable property owned by such company then the disposal consideration for the purposes of the CGT calculation will be the consideration declared by the contracting parties as adjusted with the fair market values of any other assets held by the company being disposed.	This amendment brings the disposal of shares in property rich companies on a similar footing as direct disposals of immovable property in Cyprus.

3. The CGTL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
CGT on shares of companies listed on regulated/ unregulated markets which directly or indirectly (subject to applicable thresholds) own immovable property in Cyprus	• No tax is charged on capital gains from the sale of shares listed on a **regulated market** (the CGTL refers to the Investment Services and Activities and Regulated Markets Law for the definition of a regulated market) , of a recognized stock exchange. • No tax is charged on capital gains from 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**. • If the total value of disposals exceeds EUR 50k in a calendar year, tax at normal rates is applied on the amounts exceeding such threshold at the time the relevant threshold is exceeded. • Gains on the sale of shares held as of **31 December 2025** that were listed on an unregulated market of a recognized stock exchange and were owned by the alienator at the relevant time **are exempt from tax**, regardless of disposal value.	The relevant amendment may result in reduced appeal of the unregulated market of the Cyprus Stock Exchange for new entrants to this market.
Exemption for exchanges-land for apartment/land for development	The CGTL now introduces an exemption from CGT in cases of land for apartment/land for development exchange, subject to certain conditions: • the exchanges must be made with a 'land developer' as defined in the Streets and Buildings Regulation Law (CAP.96); • the relevant development must be completed within 5 years as from the date that the relevant agreement is entered into by the contracting parties.	This is a welcome amendment to the CGTL as it provides for an exemption for a type of transaction whose popularity has grown greatly over the past years.

b. Other Amendments

- The CGTL now includes in its text something that was already applied in practice in relation to establishing the base cost for shares holding directly Cyprus immovable property which had already incurred CGT on a prior sale;
- Prior to the CGTL amendment any gains from the disposal of a primary residence with a consideration price of up to EUR 350k made within the context of specific transactions (such as for example a debt-for-asset swap) were exempt from CGTL. The relevant threshold now increases to EUR 450k and also the CGTL provides, for the purposes of application of this exemption, a definition of the term "debt restructuring", "borrower" and "lender";
- The exemptions already included in the legislation with respect to disposals of mortgaged property (article 4 (a) (v) of the CGTL) are extended to 2030;
- The CGTL amends also the relevant penalties for taxpayers failing to meet their obligations which are either fixed ranging between EUR 250 to EUR 2k (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.

4. The ACTL

a. Main Amendments

Title	Legislative Amendments	PwC Observation
Collection and Processing of Personal Data by the Commissioner of Taxation	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. This processing is strictly for the purposes of monitoring and preventing fraud and tax evasion and must be made in full adherence with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.	This amendment brings the ACTL in line with EU standards on the collection and processing of personal data by the Commissioner of Taxation.
Documents' retention period	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. In the event a tax audit begins within the last year of the 6-year period (as specified above), the document retention period is extended until the completion of the audit or until one year from the date the audit begins, whichever occurs earlier.	The new retention period is partially aligned with the revised statute of limitation timeline (see immediately below).
Statute of Limitation	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.	This constitutes a longer timeline (it used to be 6 years from the end of the tax year)
Submission of tax returns and payment of respective liabilities	***<u>Main points</u>*** • The deadline for the submission of the income tax return for legal persons and/or individuals who have an obligation to prepare accounts is 31 January of the year following the following year of the year of assessment (e.g. for 2026 the relevant deadline would be 31 January 2028). Previously, the deadline was 31 March of the year following the following year of the year of assessment • No change in deadline for (a) the submission of the tax return; and (b) the payment of the personal income tax under the self-assessment method for individuals who do not have an obligation to prepare accounts.	The amendments provide for simplification of processes through the streamlining of certain tax payment penalties with the submission of returns.

4. The ACTL (continued)

a. Main Amendments (continued)

<table>
<tr><th>Title</th><th>Legislative Amendments</th><th>PwC Observation</th></tr>
<tr><td>Submission of tax returns and payment of respective liabilities (continued)</td><td>As per Article 30 of the ACTL a natural person is obliged to submit audited financial statements if his/ her annual income from trade/ business, rents, dividends interest, royalties or income relating to trading goodwill exceeds EUR 120k. Previously, the relevant threshold was EUR 70k.
The payment of the final tax under the self-assessment method for legal persons and/or individuals who have an obligation to prepare accounts is 31 January of the year following the following year of the year of assessment. Previously, the deadline was 1 August of the year following the year of assessment.
The below legal and/or natural persons have an obligation to submit a tax return:
Cyprus tax resident individuals if:
- they have gross income as defined by the ITL 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 incomes, in their entirety, have been subject to withholding taxes in Cyprus pursuant to article 24 of the ITL.
Decrees may regulate exceptions from the obligation of filing returns and/or regulate deadlines for submission of returns and payment of tax liabilities.</td><td></td></tr>
<tr><td>Suspension of Business Operations and Sealing of Premises</td><td>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).</td><td>The primary intention of the amendments is to allow the authorities to counter abusive practices efficiently. Through these measures the authorities gain great power in enforcing the tax legislation.</td></tr>
</table>

4. The ACTL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Suspension of Business Operations and Sealing of Premises (continued)	• issuing inaccurate or failing to issue required tax invoices or receipts. • obstructing tax audits. The suspension period may last up to 10 days, extendable for an additional 20 days if non-compliance continues. Any change to the legal form or person exercising the business between the time of ascertaining the violation to executing the relevant order is not a valid reason for non-execution of the order if the said business continues to operate in the same place with the same or similar type of activities. Before suspension, the Commissioner of Taxation must send three separate notifications to the business (which themselves need to meet certain conditions), each allowing at least 10 days to comply. The final notification requires the business to submit written views within 5 days. The suspension decision is formally served or posted, then published in the Official Gazette. During suspension, authorized officers (with police assistance) may enter the premises to deal with compliance. If the business remedies the violation, a certificate is issued, lifting the suspension. Violating the suspension order, such as operating the business or tampering with seals, constitutes a criminal offense punishable by up to 2 years imprisonment and/or a fine up to EUR 30k. Any legal challenge to the suspension does not stop the business's obligation to comply with tax laws or the Commissioner of Taxation's enforcement powers. The ACTL provides further details with respect to taxpayer rights, method of enforcement and administrative aspects of this provision.	
Double Tax Relief	In the case where a claim for a tax credit is submitted beyond six years from the end of the relevant tax year but within six months from the date on which the corresponding amount of tax payable in the other country has been confirmed, the assessment of tax may be carried out at the latest within a period of one year from the date of submission of the supporting documents and information for the claim, regardless of the time limits provided in the ACTL.	This clarification introduces more expediency for taxpayers with cross-border transactions.

4. The ACTL (continued)

a. Main Amendments (continued)

Title	Legislative Amendments	PwC Observation
Order of Payment and Set-Off of Taxes	When a taxpayer makes a payment towards an outstanding tax liability, that payment is applied in the following order of priority: 1. interest accrued due to late payment; 2. additional charges and monetary penalties for late payment; 3. monetary charges and administrative fines; 4. monetary charges related to the late submission of tax returns; 5. principal tax amount and any additional tax imposed. If a taxpayer is entitled to a tax refund, the Commissioner of Taxation may, at his/her discretion, offset any outstanding tax debts or contributions from the refund payment. This set-off is done starting with the oldest overdue liabilities and follows the same order of priority as above.	
Obligation to Pay Rent via Bank Account	To increase transparency and proper documentation of rental transactions within Cyprus, 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.	Taxpayers paying rent should ensure that this process is followed as this may affect benefits that they may be entitled to by reference to other provisions of the legislation.
Liability of Company Directors	In order to ensure that directors cannot evade responsibility within the meaning of tax laws and regulations by stepping down or being removed from office a company director remains fully liable for any acts or omissions committed during their term in office, even if they had been removed from the Register of Directors and Secretaries (maintained pursuant to article 192 of the Cyprus Companies Law Cap. 113) by the time any administrative or judicial actions commenced. Regarding late notifications of changes in company officers: • If the notification is filed within 12 months of the change, the director's term is considered to have ended on the actual date of the change. • If filed after 12 months, the director’s term is deemed to have ended on the calendar date corresponding to the late submission date, but one year earlier.	

4. The ACTL (continued)

b. Other Amendments

- The revised ACTL gives the possibility to the Commissioner of Taxation to register a person in the Registry of Taxpayers. The revised ACTL also provides for certain revisions of registration obligations of individuals and companies;
- The Commissioner of Taxation has the authority to request any person, via written notice, to provide information, documents, or evidence related to their tax liability for any tax year (or another person's), as deemed necessary under the law. The Commissioner of Taxation defines how the requested information should be submitted, including allowing digital or electronic formats for structured and efficient processing of information;
- The submission deadline of the yearly Employers return (T.D.7) has now moved to 31st March of the year following the year of assessment instead of 28th February of the year following the year of assessment;
- A taxpayer is prohibited from submitting a revised tax return for a specific tax year once that year is under active examination or audit by the Tax Department (or after the examination or audit is finalised). However, the Commissioner of Taxation retains discretionary authority to accept a revised return at any time, even during or after such examinations;
- With respect to partnerships, all partners registered for tax purposes must submit returns disclosing their share of partnership income. The ACTL indicates that for partnerships which are registered as partnerships or mutual funds in accordance with the Alternative Investment Funds Law or as mutual funds in accordance the Open-Type Collective Investment Undertakings Law only one person has the obligation to file a return (e.g. administration company);
- A person has sixty (60) days from the day of issue of an assessment to file an objection. In the case an assessment is issued within December, the notice of objection can be filed no later than the end of February of the following year (remains the same as prior to amendment);
- The ACTL further clarifies the process, conditions and calculation of interest with respect to refunds of taxes;
- For companies which were incorporated or registered in the Republic and/or individuals who began to earn income other than salaries after June 30 of any year, they shall submit the provisional calculation regarding the tax subject of the relevant year by 31 December of that year;
- **Imposition of Monetary charges**

Imposition of Monetary Charges			
	Individuals	**Legal Persons**	
		with Turnover or assets above EUR 1m	**Other**
	EUR	**EUR**	**EUR**
For non-Compliance with a prescribed deadline specified in the Law – Late Submission	150	500	250
For non-Compliance with a prescribed deadline specified in the Law, and after a formal notice of at least 60 days from the Commissioner of Taxation	300	1.000	500
For non-Compliance with a duty for which the law does not specify a deadline, and after a formal notice of at least 60 days from the Commissioner of Taxation	200	1.000	500
For non-Compliance which concerns submission of information or duties related to another person and for which no statutory deadline exists, and after a formal notice of at least 60 days from the Commissioner of Taxation	200	1.000	500
Taxpayers who submit their tax returns within an extended deadline, as publicly communicated, and pay the tax due at the time of submission, will not be subject to any monetary penalties. This measure aims to encourage compliance and timely settlement of tax liabilities, especially during extended filing periods.			

5. The CTL

Title	Legislative Amendments	PwC Observation
Pledge of shares as security for tax debt	• 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; • Before registering the memo, the Commissioner of Taxation must notify the debtor in writing and allow 30 days for him/her to respond, after which time the Commissioner of Taxation may confirm, cancel, modify, or replace the decision after considering any representations from the debtor; • The memo is officially registered with the Registrar of Companies and prevents transfer of the shares while in effect; • The debtor can apply to court to cancel the memo if the tax is paid or if an alternative enforcement action would cause less hardship; • The Court cannot question the legality or amount of the tax during cancellation proceedings; • All tax obligations related to the shares remain while the memo is in effect; • The Commissioner of Taxation may negotiate settlements to release the shares from the memo. • The Minister of Finance can set detailed procedures for registration of the memo through a decree.	This measure, while enhancing the Commissioner of Taxation's discretionary powers in securing the collection of taxes, should be used only in well-justified circumstances due to its potentially far-reaching consequences for the taxpayers.

6. The SDL

Title	Legislative Amendments	PwC Observation
Abolition of Stamp Duty	The Stamp Duty Law is fully abolished as from 1 January 2026.	It is not clear whether stamp duty will be due on documents concluded up to 31 December 2025 for which the stamp duty liability did not crystallise (e.g. because they are not considered to have been brought to Cyprus for stamp duty purposes) and the relevant documents are brought to Cyprus post 1 January 2026.

The takeaway

The tax reform aims to improve efficiency and support both society and business, contributing to the overall economic resilience of the country.

Taxpayers should carefully examine the provisions of the Tax Reform Package to ascertain whether and to what extent the amendments introduced affect their operations and plan any necessary actions to ensure full and timely compliance with the new rules while maintaining the efficient arrangement of their tax affairs.

Let's talk

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

Zacharias Clerides
Partner
Tax & Legal Leader
zacharias.clerides@pwc.com

Christos Charalambides
Partner
Head of Tax Advisory
christos.charalambides@pwc.com

Eftychios Eftychiou
Partner
Head of Tax Technical Committee
eftychios.eftychiou@pwc.com

Or your usual PwC contact

PwC Cyprus
PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612, CY-1591
www.pwc.com.cy