

Transfer Pricing developments

1. Financial Transactions Table
2. Revised Simplification Measure Rates

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In brief

On 12 October 2026 Cyprus Tax Authorities ("CTA") announced that starting from tax year 2026, the Financial Transactions Table is to be submitted electronically through the Tax For All ("TFA") system, as an attachment to the Summary Information Table of Controlled Transactions ("SIT"). The CTAs have also made available on their website the mandatory Financial Transactions Table template in Excel format, as well as the relevant Completion Guide.

On the same date, the CTAs issued Circular 5 /2026, revising the minimum or maximum rates of return applicable to financing transactions for the purposes of the simplification measures prescribed in Circular 6 /2023, which apply to persons exempt from preparing a Cyprus Local File under Article 33(9)(a) of the Law. The revised rates apply from tax year 2026 and will remain in force until further revision.

In detail

1. Financial Transactions Table

Purpose of the Financial Transactions Table

The purpose of the Financial Transactions Table is to disclose, in a predefined format, specific information included in the Cyprus Local File relating to the transfer pricing documentation of controlled financial transactions relating to tax years from 2026 onwards.

Who is affected

The obligation applies to persons falling within Article 33(7) of the Income Tax Law, Law 118(I)/2002, as amended (the "Law"), where their controlled transactions in the category "Financial Transactions" exceed, in aggregate, the threshold provided in Article 33(9) of the Law, or would exceed on an arm's length basis, the threshold provided under section 33(9) of the same Law.

Transactions to be reported

Financial Transactions Table covers the following controlled financial transactions where, following their accurate delineation, their arm's length remuneration is determined by reference to an interest rate, irrespective of the amount of each individual transaction:

Provision of financing: loans receivable; trade receivables of a financing nature; other receivables of a financing nature.

Receipt of financing: loans payable; trade payables of a financing nature; other payables of a financing nature.

The CTAs clarify that explicit guarantees and cash pooling arrangements are not reported in the Financial Transactions Table.

How the Financial Transactions Table is submitted

The Financial Transactions Table is not a stand-alone filing. It is uploaded through TFA as an attached file at the time the SIT is submitted. Financial Transactions Table must be prepared by the income tax return filing deadline for the relevant tax year and be accompanied by the SIT.

Template and Completion Guide

The CTAs have prepared a template Excel file which includes automated completion checks. Use of the template is mandatory and Financial Transactions Table must be submitted exclusively using that file. The CTAs have also prepared a Completion Guide with detailed instructions and examples. Both are available on the Tax Department website (gov.cy/mof-tax, [Transfer Pricing section](#)).

Quality assurance review

As the information and results of the comparability analysis reflected in Financial Transactions Table form part of the Cyprus Local File, Financial Transactions Table, as specified in paragraph 2(b) of Regulatory Administrative Act (KDP) 314/2022, is subject, prior to submission, to the quality assurance review provided under Regulation 3(3) of KDP 273/2022. This quality assurance review must be carried out by a person holding a practicing certificate issued by the Institute of Certified Public Accountants of Cyprus (ICPAC). The quality assurance review must be completed no later than the income tax return filing deadline for the relevant tax year.

2. Revised Simplification Measure Rates

Circular 5 /2026 revises the rates of return set in paragraphs 14, 18 and 25 of Circular 6 /2023. The revised rates apply from tax year 2026 and remain in force until their next revision. The changes are outlined below (all rates are before tax):

Category (Circular 6/2023)	Previous rate	Revised rate (from tax year 2026)
Financing transactions between related parties funded by financial instruments (Part D.1, para. 14)	Minimum return of 2.5%, irrespective of whether the entity has the financial capacity to assume risk.	0.5% where the entity does not control the risks related to the financing transactions and does not have the financial capacity to assume those risks. 2% in all other cases.
Financing transactions between related parties funded by equity (Part D.2, para. 18)	Minimum return equal to the 10-year government bond yield of the borrower's jurisdiction plus 3.5%	Minimum return equal to the 10-year government bond yield of the borrower's jurisdiction plus 2.25%
Financing received from related parties to the extent used in the business (Part D.3, para. 25)	Maximum borrowing cost equal to the 10-year Cyprus government bond yield plus 1.5%	Maximum borrowing cost equal to the 10-year Cyprus government bond yield plus 1.75%

Functional analysis under paragraph 14

Under the revised paragraph 14 measure, the minimum return is no longer uniform but depends on the outcome of the functional analysis required under paragraphs 4(a) and 4(b) of Circular 6/2023, namely whether the entity controls the risks associated with the transactions and has the financial capacity to assume them.

Loans denominated in a foreign currency

For purposes of paragraphs 18 and 25, where the financing is denominated in a currency other than the domestic currency of the borrower's jurisdiction, the 10-year government bond yield of that jurisdiction in the same currency as the loan should be used provided it is published on the Tax Department website. If no such rate is available, the taxpayer should contact the Tax Department's Transfer Pricing Unit to determine the reference rate to be used.

Low Value-Adding Services

The minimum 5% mark-up on relevant costs for low value-adding services (Part D.4, para. 31) remains unchanged. All other provisions and conditions of Circular 6/2023 continue to apply without amendment.

The takeaway

The introduction of the Financial Transactions Table establishes a new standardised reporting requirement for controlled financial transactions from tax year 2026. The simplification measure rates of Circular 6/2023 have been revised from tax year 2026. Affected taxpayers should familiarise themselves with the new reporting requirements and the revised simplification measure rates and plan their 2026 transfer pricing compliance obligations accordingly.

Let's Talk

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

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