



ANDERSEN®

# Doing Business in Cyprus

**2026**

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## 1. Introduction to Cyprus

Cyprus is an independent republic located in the Eastern Mediterranean at the crossroads of Europe, Asia and Africa. Its strategic geographical position has long established the country as a natural gateway for international trade and investment, serving as a bridge between major regional markets.

Since becoming a member of the European Union in 2004 and adopting the euro in 2008, Cyprus has developed into a well-established international business and financial centre, offering full access to the EU single market and harmonisation with European regulatory standards.

The country operates under a presidential system of government and maintains a modern, service-oriented economy supported by a stable macroeconomic environment, strong professional services sector and continuous policy alignment with OECD and EU initiatives.

### Legal and Regulatory Framework

The legal system of Cyprus is based primarily on English common law principles, complemented by civil law elements and fully aligned with European Union legislation. This combination provides a familiar, transparent and predictable legal environment for international investors and businesses.

Key commercial legislation includes:

- Companies Law (Cap. 113) governing incorporation, management and liquidation of companies
- Contract Law (Cap. 149) regulating contractual relationships
- Partnership Law (Cap. 116) governing partnerships and business names
- EU-derived regulations applicable across all sectors of economic activity

The judiciary is independent and has undergone significant reforms in recent years aimed at improving efficiency, including the introduction of specialised courts and modernised procedures.

### Business Environment

Cyprus offers a pro-business environment characterised by:

- A transparent and EU-compliant regulatory framework
- A highly skilled and multilingual workforce, with English widely used as the business language
- Developed infrastructure in financial, legal and administrative services
- A modern economy driven by sectors such as financial services, technology, shipping, tourism and investment funds

The country continues to strengthen its position as a regional hub for investment and corporate structuring, supported by government initiatives aimed at digital transformation, innovation and sustainable growth.

### Tax Framework – High-Level Overview (2026)

Following the comprehensive tax reform effective from **1 January 2026**, Cyprus has modernised its tax system while maintaining its competitive position within the European Union.

Key features include:

- Corporate income tax rate of 15%
- Retention of core participation exemptions (e.g. dividend and securities gains)
- Reduction of Special Defence Contribution (SDC) on dividends to 5%
- Abolition of deemed dividend distribution rules
- Continued availability of incentives such as:
  - Notional Interest Deduction (NID)
  - Intellectual Property (IP) regime
  - Enhanced research and development deductions

Cyprus also maintains an extensive network of double tax treaties with more than 60 countries, facilitating efficient cross-border investment and minimising double taxation.

### **Why Cyprus**

Cyprus remains an attractive jurisdiction for international business due to a combination of structural and tax-related advantages:

- Strategic access to Europe, the Middle East and Africa
- Full EU membership and eurozone participation
- Competitive and transparent tax system aligned with global standards
- Extensive double tax treaty network
- No withholding taxes on outbound dividends (subject to conditions)
- Established professional services ecosystem

These features, combined with the 2026 tax reform, position Cyprus as a modern, compliant and competitive international business centre.

## **2. Doing Business in Cyprus**

### **Forms of Business Organisation**

Business activity in Cyprus may be conducted through a number of legal structures, the most common of which are:

- Private limited liability company (Ltd)
- Public limited liability company (PLC)
- Branch of a foreign company
- Partnership (general or limited)
- Sole proprietorship

In practice, the private limited liability company is by far the most widely used vehicle for both domestic and international operations, primarily due to its flexibility, limited liability and tax efficiency.

### **Private Limited Liability Company**

A private limited liability company, incorporated under the Companies Law, Cap. 113, constitutes a separate legal entity distinct from its shareholders.

Key characteristics include:

- Liability of shareholders limited to the amount of their share capital contribution
- Restriction on the transfer of shares (as set out in the Articles of Association)
- Prohibition from inviting the public to subscribe for shares or debentures
- Minimum of one shareholder and one director (corporate entities permitted)

There are no statutory minimum capital requirements, and share capital may be denominated in any currency.

### **Incorporation Process**

The incorporation of a company in Cyprus is carried out through the Registrar of Companies and typically involves:

1. Approval of company name
2. Preparation and filing of:
  - Memorandum of Association
  - Articles of Association
3. Submission of incorporation forms detailing:
  - Shareholders
  - Directors
  - Company secretary
  - Registered office address

Subject to satisfactory documentation, incorporation is generally completed within a short timeframe.

### **Corporate Governance**

Cyprus companies are required to comply with statutory governance obligations, including:

- Appointment of at least one **director** and one **company secretary**
- Maintenance of:
  - Statutory registers (e.g. members, directors, charges)
  - Accounting records reflecting the financial position of the company
- Preparation and filing of **annual financial statements**, audited in accordance with International Financial Reporting Standards (IFRS)
- Submission of an **annual return** to the Registrar of Companies

Board decisions are typically exercised through meetings or written resolutions, with flexibility in holding meetings outside Cyprus, subject to tax residency considerations.

### **Branch of a Foreign Company**

A foreign company may establish a presence in Cyprus through a registered branch.

Key features include:

- The branch does not constitute a separate legal entity
- The foreign company remains fully liable for its obligations
- Registration with the Registrar of Companies is required, including submission of constitutional documents and details of authorised representatives in Cyprus

Branches are commonly used where operations are closely integrated with the head office rather than conducted through a separate corporate structure.

### **Partnerships**

Partnerships in Cyprus are governed by the Partnership and Business Names Law, Cap. 116, and may take the form of:

- General partnerships, where partners have unlimited liability
- Limited partnerships, where liability of certain partners is limited to their contribution

Partnerships are generally used for smaller-scale ventures or specific professional activities.

### **Business Establishment Considerations**

When establishing operations in Cyprus, key considerations include:

- Tax residency of the entity, determined primarily by management and control
- Choice between subsidiary or branch structure, depending on commercial and tax objectives
- Substance requirements, particularly in light of international tax developments
- Regulatory licensing, where applicable (e.g. financial services, investment firms)

Cyprus continues to offer a flexible and well-regulated environment for business establishment, supported by a robust legal framework and an experienced professional services sector.

## **3. Tax System Overview**

### **General Principles**

The Cyprus tax system is based on a combination of residence and source principles, providing a transparent and EU-compliant framework for the taxation of both corporate entities and individuals.

Following the tax reform effective 1 January 2026, the system has been further modernised to enhance competitiveness while maintaining alignment with international tax standards, including OECD and EU initiatives.

### **Corporate Tax Residence**

A company is considered tax resident in Cyprus if it satisfies at least one of the following criteria:

- Its management and control is exercised in Cyprus; or
- It is incorporated in Cyprus, provided that it is not tax resident in another jurisdiction

In practice, management and control is determined by reference to factors such as:

- The place where the board of directors meets and makes strategic decisions
- The location of key management and commercial decisions
- The residence of directors

Tax resident companies are subject to tax on their worldwide income, subject to applicable exemptions.

Non-resident companies are subject to tax in Cyprus only on income arising from sources within Cyprus.

### **Individual Tax Residence**

Individuals are considered tax resident in Cyprus under either of the following rules:

#### 183-day rule

An individual is tax resident if present in Cyprus for more than 183 days in a tax year.

#### 60-day rule

An individual may also be considered tax resident in Cyprus if all of the following conditions are satisfied:

- Presence in Cyprus for at least 60 days in the relevant tax year
- No presence in any other single jurisdiction for a period exceeding 183 days
- Maintenance of a permanent residential property in Cyprus (owned or rented)
- Engagement in business in Cyprus, employment in Cyprus, or holding of an office with a Cyprus tax resident person

### **Scope of Taxation**

#### Corporate Entities

Tax resident companies are subject to corporate income tax on their worldwide income, including:

- Trading profits
- Certain passive income streams (subject to specific rules)

However, the Cyprus tax framework provides a range of participation-based exemptions, including:

- Dividend income (subject to conditions)
- Profits from the disposal of securities
- Certain foreign permanent establishment income

#### Individuals

Tax resident individuals are subject to tax on their worldwide income, including:

- Employment and self-employment income
- Rental income
- Interest and dividends (subject to the applicability of Special Defence Contribution rules)

Non-resident individuals are taxed only on income arising from Cyprus sources.

### **Non-Domicile Regime**

Cyprus operates a non-domicile regime applicable to individuals who are tax resident but not domiciled in Cyprus for tax purposes.

Non-domiciled individuals are exempt from:

- Special Defence Contribution (SDC) on dividends
- SDC on interest income

The regime remains a key feature of the Cyprus tax system and continues to support the relocation of internationally mobile individuals.

### **Structure of Taxation**

Following the 2026 reform, the Cyprus tax system is structured around the following core components:

- Corporate income tax
- Personal income tax
- Special Defence Contribution (SDC)
- Capital gains tax (limited scope)
- Value Added Tax (VAT)
- Social contributions and other indirect levies

The reform has introduced targeted changes to key components of the system, including corporate taxation, personal income tax bands and dividend taxation, while preserving the fundamental architecture of the regime.

### **Double Tax Treaties**

Cyprus has an extensive network of double taxation agreements, facilitating cross-border investment and providing relief from double taxation.

These treaties:

- Allocate taxing rights between jurisdictions
- Provide mechanisms for elimination of double taxation
- Reduce or eliminate withholding taxes on cross-border payments

The treaty network remains an integral element of Cyprus' position as an international business hub.

## **International Compliance and Transparency**

Cyprus is fully aligned with international standards on tax transparency and anti-avoidance, including:

- OECD Base Erosion and Profit Shifting (BEPS) framework
- EU Anti-Tax Avoidance Directives (ATAD)
- Automatic exchange of information (CRS and DAC frameworks)

The jurisdiction maintains a balance between competitiveness and compliance, ensuring that its tax system remains robust, transparent and internationally credible.

## **4. Corporate Taxation**

### **General**

Companies that are tax resident in Cyprus are subject to corporate income tax at a rate of 15% on their taxable income.

Tax resident companies are taxed on their worldwide income, whereas non-resident companies are subject to tax only on income arising from sources within Cyprus.

### **Taxable Income**

Taxable income is calculated based on accounting profits adjusted for tax purposes in accordance with the Income Tax Law. Adjustments typically include:

- Disallowance of non-deductible expenses
- Capital allowances on qualifying assets
- Specific tax treatments for certain income streams

Deductions are generally allowed for expenses wholly and exclusively incurred for the production of taxable income.

### **Exempt Income**

The Cyprus tax framework provides for a number of key exemptions, which remain a fundamental feature of the regime:

#### ➤ Dividend Income

Dividend income is generally exempt from corporate income tax.

Such income may fall within the scope of Special Defence Contribution (SDC), subject to applicable conditions and exemptions (see Section 5).

#### ➤ Profits from Disposal of Securities

Gains from the disposal of securities are exempt from corporate income tax. The term "securities" includes:

- Shares
- Bonds and debentures
- Options and futures
- Units in collective investment schemes

This exemption remains one of the most significant features of the Cyprus tax system.

➤ Foreign Permanent Establishment (PE) Profits

Profits derived from a foreign permanent establishment are generally exempt from tax in Cyprus, subject to certain anti-avoidance provisions.

Losses

Tax losses may be carried forward and offset against future taxable profits.

Following the 2026 reform, loss utilisation rules have been **enhanced**, including:

- Extension of the loss carry-forward period (subject to conditions)
- Continued availability of group relief, allowing losses to be surrendered between qualifying group companies

Group relief is available where group companies satisfy the required ownership conditions.

**Notional Interest Deduction (NID)**

Cyprus provides for a Notional Interest Deduction (NID) on new equity introduced into a Cyprus tax resident company.

The NID allows a deemed interest deduction calculated on qualifying new equity, subject to:

- A reference interest rate determined annually
- A cap limiting the deduction to a percentage of taxable profits

The NID regime continues to support equity financing and reduce the tax bias in favour of debt.

**Intellectual Property (IP) Regime**

Cyprus operates an IP Box regime in line with OECD nexus principles.

Key features include:

- Up to 80% exemption on qualifying IP income
- Effective tax rate significantly reduced on qualifying profits

Qualifying assets include patents, copyrighted software and other qualifying intangible assets.

The regime remains a key incentive for technology and innovation-driven businesses.

**Research and Development (R&D)**

Enhanced deductions are available for qualifying research and development expenditure.

The 2026 reform provides for:

- Increased deductibility of R&D expenses
- Continued policy focus on innovation and technology sectors

**Audiovisual Industry Incentives**

Cyprus offers incentives for the production of films, television programmes and other audiovisual works.

These may include:

- Cash rebate schemes based on eligible expenditure
- Tax credits
- Accelerated tax deductions on qualifying production costs

The incentives are designed to attract international productions and support the development of the local audiovisual sector.

### **Shipping and Tonnage Tax System**

Cyprus operates an EU-approved tonnage tax system, applicable to qualifying shipping activities.

The regime allows eligible shipping companies to be taxed based on the net tonnage of vessels, rather than corporate profits, providing a competitive framework for the maritime sector.

### **Investment Funds**

Cyprus has developed into an established jurisdiction for the formation and management of investment funds, supported by a modern regulatory and tax framework.

Investment funds in Cyprus may be structured as:

- Alternative Investment Funds (AIFs)
- Alternative Investment Funds with Limited Number of Persons (AIFLNP)
- Undertakings for Collective Investment in Transferable Securities (UCITS)

From a tax perspective:

- Funds are generally subject to corporate income tax at 15% on taxable income
- Dividend income and profits from the disposal of securities are typically exempt from tax, in line with the broader Cyprus participation exemption regime
- No withholding taxes are imposed on distributions to non-resident investors, in accordance with applicable rules

In addition, fund managers and investors may benefit from the wider Cyprus tax framework, including the availability of the non-domicile regime for individuals and access to an extensive network of double tax treaties.

The regulatory framework is supervised by the Cyprus Securities and Exchange Commission (CySEC).

### **Transfer Pricing**

Cyprus applies transfer pricing rules in line with the arm's length principle, consistent with OECD guidelines.

Key requirements include:

- Preparation of transfer pricing documentation (Master File and Local File, where applicable)
- Maintenance of supporting economic analysis
- Disclosure obligations in tax filings

Transfer pricing rules apply to transactions between related parties, including cross-border and domestic arrangements.

### **Withholding Taxes**

Cyprus does not generally impose withholding taxes on outbound payments to non-residents, including:

- Dividends
- Interest
- Royalties (subject to exceptions, e.g. rights used within Cyprus)

However, withholding tax may apply in specific cases involving payments to entities resident in non-cooperative jurisdictions or jurisdictions included on the EU blacklist, subject to applicable rules.

### **Deemed Dividend Distribution (DDD)**

The deemed dividend distribution (DDD) provisions have been abolished with effect from 1 January 2026.

Accordingly, the DDD rules will no longer apply to profits generated from the 2026 tax year onwards. Profits relating to tax years up to and including 2025 remain subject to the provisions in force at the relevant time.

### **Substance and Anti-Avoidance**

Cyprus tax resident companies are required to demonstrate adequate economic substance, particularly in the context of international group structures.

Anti-avoidance provisions include:

- General Anti-Abuse Rule (GAAR)
- Controlled foreign company (CFC) rules
- Interest limitation rules

The Cyprus tax framework is aligned with EU directives and OECD standards, ensuring compliance with international best practices.

### **Interaction with International Tax Developments**

Cyprus has implemented global tax initiatives, including measures aligned with the OECD Pillar Two framework for multinational enterprises exceeding relevant thresholds.

These rules introduce a minimum effective tax rate at group level and may impact large multinational groups operating through Cyprus.

## **5. Special Defence Contribution (SDC)**

### **General**

Special Defence Contribution (SDC) is imposed on certain types of income earned by Cyprus tax resident individuals who are domiciled in Cyprus.

Companies are generally subject to SDC only in limited circumstances, primarily in relation to passive income streams.

Non-domiciled individuals are exempt from SDC.

## **Scope of SDC**

SDC applies to the following categories of income:

- Dividend income
- Interest income (subject to distinction between active and passive interest)
- Rental income (subject to the revised framework, as outlined below)

### **Dividend Income**

As from 1 January 2026, SDC on dividend income is imposed at a rate of 5%.

SDC applies to dividends received by:

- Cyprus tax resident individuals who are domiciled in Cyprus
- Cyprus tax resident companies, in specific circumstances

Dividend income continues to be exempt from corporate income tax, with SDC operating as a separate charge where applicable.

### **Deemed Dividend Distribution (DDD)**

As noted in Section 4, the deemed dividend distribution provisions have been abolished with effect from 1 January 2026.

### **Interest Income**

Interest income is classified as either:

- Active interest, arising in the ordinary course of business (taxed under corporate income tax and not subject to SDC); or
- Passive interest, which is subject to SDC

Passive interest is subject to SDC at the applicable rate, provided that the recipient is both tax resident and domiciled in Cyprus.

### **Rental Income**

Following the 2026 reform, SDC no longer applies to rental income.

Rental income is now subject solely to income tax, in accordance with the general provisions of the Income Tax Law.

### **Non-Domicile Regime**

Individuals who are tax resident in Cyprus but non-domiciled for SDC purposes are exempt from SDC on:

- Dividend income
- Interest income

The non-domicile regime remains a key feature of the Cyprus tax system and continues to provide a significant advantage for internationally mobile individuals.

## Domicile Rules

An individual is considered domiciled in Cyprus for SDC purposes if:

- They have a domicile of origin in Cyprus; or
- They have been a tax resident of Cyprus for at least 17 out of the last 20 years

Individuals who do not meet these criteria are treated as non-domiciled.

## Withholding and Payment

SDC is generally withheld at source in Cyprus where applicable, or otherwise accounted for by the taxpayer through the self-assessment system.

Companies making distributions are responsible for the appropriate application of SDC where required.

## Interaction with Corporate Taxation

SDC operates independently of corporate income tax, but is closely linked in practice, particularly in relation to:

- Dividend distributions
- Classification of income streams

The abolition of DDD and the reduction in the SDC rate on dividends form part of the broader restructuring of the Cyprus tax system under the 2026 reform.

## 6. Personal Income Tax

### General

Individuals who are tax resident in Cyprus are subject to personal income tax on their worldwide income, subject to available exemptions and deductions.

Non-resident individuals are taxed only on income arising from sources within Cyprus.

### Tax Rates

As from 1 January 2026, personal income tax is imposed on a progressive basis, with rates ranging from 0% to 35%.

The applicable bands are as follows:

Taxable Income (€)	Tax 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%

The revised bands increase the tax-free threshold and broaden the intermediate brackets, resulting in a reduced effective tax burden for low and middle-income individuals.

### **Taxable Income**

Taxable income includes, inter alia:

- Employment income
- Profits from self-employment
- Pensions
- Rental income
- Certain benefits in kind

Appropriate deductions and exemptions are applied in determining taxable income.

### **Exempt Income**

Certain categories of income are exempt from personal income tax, including:

- Dividend income (subject to SDC, where applicable)
- Interest income (subject to SDC, where applicable)
- Profits from the disposal of securities

These exemptions align with the broader structure of the Cyprus tax system.

### **Deductions and Reliefs**

Individuals are entitled to various deductions and reliefs, including:

- Contributions to approved pension and provident funds
- Social insurance and GESY contributions
- Approved insurance premiums

Following the 2026 reform, additional focused deductions may be available in areas such as:

- Housing-related expenditure (subject to conditions)
- Family support and dependent-related allowances
- Environmentally sustainable investments

Deductions are generally subject to overall limits and conditions.

### **Employment Income – Expatriate Reliefs**

A 50% exemption from employment income is available to individuals who were not tax resident in Cyprus for at least 10 consecutive years prior to the commencement of employment in Cyprus and receive annual remuneration exceeding €55,000.

The exemption applies for a period of up to 17 years from the commencement of employment, provided the relevant conditions continue to be met.

A 20% exemption, subject to a maximum annual cap of €8,550, is available to individuals who were not tax resident in Cyprus prior to the commencement of employment in Cyprus

The exemption is available for a period of up to 5 years, commencing from the first year of employment.

This exemption does not apply in cases where the 50% exemption is claimed.

### **Rental Income**

Rental income is subject to personal income tax at the standard rates.

As from 2026, rental income is no longer subject to SDC, resulting in a simplified tax treatment for individuals.

### **Special Defence Contribution (SDC)**

While dividend and interest income are exempt from personal income tax, they may fall within the scope of SDC, provided that the individual is both:

- Tax resident in Cyprus; and
- Domiciled in Cyprus

Non-domiciled individuals are exempt from SDC (see Section 5).

### **Benefits in Kind**

Certain non-cash benefits provided to employees are taxable as part of employment income.

Such benefits may include:

- Use of company cars
- Accommodation allowances
- Other employment-related benefits

The valuation and taxation of benefits in kind are determined based on applicable rules and guidance.

### **Losses**

Individuals carrying on business activities may carry forward tax losses for up to 10 years, subject to relevant conditions.

Losses may be offset against future income of the same nature.

### **Tax Administration and Compliance**

Individuals are required to register with the Cyprus Tax Department and obtain a Tax Identification Code (TIC) where they:

- Derive taxable income in Cyprus; or
- Are required to comply with filing obligations under the applicable legislation

### Filing Obligations

Following the 2026 tax reform, the obligation to submit an annual personal income tax return is determined by tax residency, age and income criteria.

In particular:

- Cyprus tax resident individuals aged between 25 and 70 are required to submit an annual tax return irrespective of the level of income
- Individuals below the age of 25 are required to submit a tax return where their income exceeds the applicable thresholds or where specific reporting obligations arise

Non-resident individuals are required to file a tax return where they derive income from sources within Cyprus.

### Self-Assessment and PAYE

Income tax is assessed and settled under the self-assessment system.

Employment income is subject to withholding under the Pay As You Earn (PAYE) system, whereby:

- Employers deduct income tax at source; and
- Remit such amounts to the Cyprus Tax Department on behalf of the employee

## **7. Capital Gains Tax**

### **General**

Capital Gains Tax (CGT) in Cyprus is imposed only on gains arising from the disposal of immovable property situated in Cyprus and certain related assets.

The tax is distinct from corporate and personal income tax and applies irrespective of whether the disposer is a company or an individual.

### **Scope of Taxation**

CGT applies to gains arising from:

- The disposal of immovable property located in Cyprus; and
- The disposal of shares in companies that directly or indirectly hold immovable property in Cyprus, where such property constitutes the majority of the company's value

For these purposes, a company is considered 'property-rich' where immovable property located in Cyprus directly or indirectly represents more than 50% of the value of its assets.

### **Tax Rate**

Capital gains are subject to tax at a rate of 20% on the net gain realised.

### **Determination of Gain**

The taxable gain is calculated as the difference between:

- The disposal proceeds; and

- The original acquisition cost, adjusted for:
  - Indexation (based on the official inflation index)
  - Qualifying capital improvements

Certain expenses directly related to the acquisition and disposal of the property are deductible.

### **Exemptions**

The Cyprus CGT regime provides for a number of exemptions, including:

- Gains arising from transfers between spouses or relatives (subject to conditions)
- Transfers on death
- Certain reorganisations carried out under the relevant provisions of the Income Tax Law
- Disposals of shares that are listed on a recognised stock exchange

### **Interaction with Income Tax**

Capital gains falling within the scope of CGT are not subject to income tax. Conversely, gains arising from the disposal of assets that do not fall within the CGT regime (e.g. shares that do not derive value from Cyprus immovable property) are generally exempt from income tax under the securities exemption.

### **Non-Residents**

Non-residents are subject to CGT only on:

- The disposal of immovable property located in Cyprus; or
- Shares in property-rich companies holding Cyprus immovable property

Property-rich is perceived to be such an immovable property that directly or indirectly constitutes more than 50% of the value of the company's assets

### **Filing and Payment**

Capital Gains Tax is:

- Declared separately from income tax; and
- Payable to the Cyprus Tax Department within 30 days from the date of disposal

The taxpayer is responsible for calculating and settling the tax based on the gain realised. In practice, the Cyprus Tax Department may require confirmation of payment prior to the completion or registration of the transfer of immovable property.

## **8. Indirect Taxes**

### **Value Added Tax (VAT)**

#### General

Value Added Tax (VAT) is levied on the supply of goods and services in Cyprus, as well as on the importation of goods, in accordance with the EU VAT Directive. VAT applies to businesses engaged in taxable activities, subject to registration requirements and applicable exemptions.

### VAT Rates

The principal VAT rates in Cyprus are:

- Standard rate: 19%
- Reduced rates: 9% and 5%
- Zero rate: 0% (applicable to specific supplies)

Reduced rates apply to certain categories of goods and services, including:

- Hospitality and accommodation services
- Passenger transport
- Certain food items and pharmaceutical products

Certain supplies are exempt from VAT, including financial services, insurance and leasing of immovable property, subject to conditions.

### VAT Registration

A business is required to register for VAT where:

- The value of taxable supplies exceeds the prescribed registration threshold; or
- It engages in intra-EU transactions or other activities requiring compulsory registration

Voluntary registration is also available under certain conditions.

### Input and Output VAT

VAT-registered businesses:

- Charge output VAT on taxable supplies; and
- Recover input VAT incurred on business expenses, subject to restrictions

The net VAT payable or refundable is determined based on the difference between output and input VAT.

### VAT Compliance

VAT-registered persons are required to:

- Submit periodic VAT returns
- Maintain proper books and records
- Remit VAT due within the prescribed deadlines

Returns are generally submitted on a quarterly basis, unless otherwise required.

### **Stamp Duty**

#### General

Stamp duty has been abolished with effect from 1 January 2026.

Accordingly, no stamp duty is payable on agreements or transactions executed on or after this date.

#### Transitional Provisions

Stamp duty remains applicable to documents executed prior to 1 January 2026, in accordance with the provisions in force at the relevant time

Any obligations relating to such documents continue to be governed by the pre-existing rules.

## **9. Other Taxes and Contributions**

### **General**

In addition to income taxation, individuals and businesses in Cyprus are subject to various social contributions and sector-specific levies, primarily in relation to employment income and the provision of healthcare.

### **Social Insurance Contributions**

Social insurance contributions are payable by both employers and employees on employment income.

#### Contribution Rates

The principal contribution rates are:

- Employer: 8.8%
- Employee: 8.8%

In addition, employers contribute:

- Social Cohesion Fund: 2.0%
- Redundancy Fund: 1.2%
- Industrial Training Fund: 0.5%

#### Contribution Cap

Social insurance contributions are subject to a maximum insurable earnings ceiling, currently set at €5,239 per month (i.e. €62,868 annually)

Emoluments in excess of this threshold are not subject to further social insurance contributions.

### **General Healthcare System (GESY)**

Cyprus operates a national healthcare system (GESY), funded through mandatory contributions.

#### GESY Contribution Rates

The principal contribution rates are:

- Employer: 2.90%
- Employee: 2.65%
- Self-employed individuals: 4.00%

GESY contributions are subject to an annual income cap currently set at €180,000 per annum.

## **Employer Obligations**

Employers in Cyprus are required to:

- Register with the relevant authorities
- Deduct and remit:
  - Social insurance contributions
  - GESY contributions
  - PAYE (income tax)
- Maintain payroll records and supporting documentation

## **Self-Employed Individuals**

Self-employed individuals are required to:

- Register with the Social Insurance Services
- Pay contributions based on prescribed income levels, depending on their profession
- Contribute to GESY on their income

## **Immovable Property-Related Charges**

While the central government immovable property tax has been abolished, other property-related charges remain applicable, including:

- Local authority taxes
- Sewerage and refuse collection charges
- Other municipal or community levies

## **Note on Rates and Thresholds**

The above contribution rates, caps and thresholds are prescribed by law and are subject to periodic review and adjustment by the relevant authorities.

## **10. Employment and Payroll**

### **General**

Employment income in Cyprus is subject to personal income tax, social insurance contributions, and GESY contributions.

Employers are required to operate withholding and reporting obligations under the Pay As You Earn (PAYE) system and the relevant social contribution frameworks.

### **PAYE System**

#### Operation of PAYE

Under the PAYE system, employers are required to:

- Deduct personal income tax from employees' remuneration at source
- Calculate tax based on applicable progressive tax rates and allowances
- Remit the tax withheld to the Cyprus Tax Department

PAYE applies to all employment income, including salaries, wages, bonuses and certain benefits in kind.

#### Payment Deadlines

PAYE deducted must be remitted to the Cyprus Tax Department by the end of the month following the month in which the salaries relate

Failure to comply may result in penalties and interest.

#### **Social Insurance and GESY Withholding**

Employers are required to:

- Deduct employee contributions for:
  - Social insurance
  - GESY
- Pay the corresponding employer contributions

#### Payment Deadlines

Social insurance and GESY contributions must be remitted by the end of the month following the month to which the contributions relate

#### **Employer Compliance Obligations**

Employers in Cyprus must:

- Register as employers with the relevant authorities
- Maintain payroll records and supporting documentation
- Issue annual remuneration statements to employees
- Submit required returns and declarations to:
  - The Tax Department
  - Social Insurance Services

Proper record-keeping is essential to support compliance with tax and contribution obligations.

#### **Benefits in Kind**

Certain non-cash benefits provided to employees are subject to taxation and must be included in payroll calculations.

Typical examples include:

- Use of company vehicles
- Housing or accommodation benefits
- Other employment-related perks

Such benefits must be valued in accordance with applicable rules and included in the employee's taxable income.

## **Employment Termination Payments**

Compensation payments on termination of employment may be subject to specific tax treatment, depending on their nature.

Certain termination payments may qualify for partial or full exemption, subject to statutory limits and conditions.

## **Interaction with Expatriate Regimes**

Employers must take into account the availability of expatriate tax reliefs (e.g. 50% or 20% exemptions) when calculating PAYE:

- Reliefs may reduce the taxable portion of employment income
- Appropriate documentation should be maintained to support eligibility

## **Self-Employed vs Employment**

It is important to distinguish between:

- Employment income (subject to PAYE); and
- Self-employment income (subject to self-assessment and direct payment of tax and contributions)

Classification depends on the substance of the relationship, including control, risk and economic independence.

# **11. Immigration and Relocation**

## **General**

Cyprus provides a structured and accessible framework for individuals seeking to relocate, work or establish business presence in the country.

As a Member State of the European Union, Cyprus distinguishes between:

- EU/EEA nationals, who benefit from freedom of movement; and
- Non-EU nationals, who are subject to immigration and residence permit requirements

## **Residence Permits**

### EU / EEA Nationals

EU/EEA nationals may:

- Enter, reside and work in Cyprus without restriction
- Register with the authorities if their stay exceeds three months

Registration results in the issuance of a Registration Certificate.

### Non-EU Nationals

Non-EU nationals are required to obtain appropriate permits depending on their circumstances, such as:

- Employment permits
- Temporary residence permits

- Permanent residence permits

Applications are typically supported by evidence of:

- Employment or business activity
- Sufficient financial means
- Accommodation in Cyprus

### **Permanent Residence**

Cyprus offers permanent residence schemes primarily to non-EU nationals who:

- Invest in Cyprus (e.g. real estate or business)
- Demonstrate stable and sufficient income from abroad

Such permits allow long-term residence without periodic renewal requirements.

### **Tax Residency**

Tax residency in Cyprus is determined independently of immigration status.

An individual may become tax resident under either:

- The 183-day rule; or
- The 60-day rule, subject to meeting the relevant conditions (see Section 3)

Tax residency is a key determinant of the scope of taxation and access to certain tax benefits.

### **Non-Domicile Regime**

Individuals relocating to Cyprus may benefit from the non-domicile regime, provided they are not considered domiciled in Cyprus for tax purposes.

Key advantages include:

- Exemption from Special Defence Contribution (SDC) on dividends
- Exemption from SDC on interest income

The regime remains available for a period of up to 17 years, subject to the individual not becoming domiciled under the relevant rules.

### **Relocation Incentives**

Cyprus offers a range of tax and non-tax incentives aimed at attracting internationally mobile individuals, including:

- Expatriate income tax exemptions (e.g. 50% and 20% regimes, subject to conditions)
- Competitive personal income tax framework (see Section 6)
- No wealth or inheritance taxes

Cyprus has increasingly positioned itself as a relocation destination for high-net-worth individuals, professionals and entrepreneurial talent.

## **Work and Establishment Considerations**

Key practical considerations for individuals relocating to Cyprus include:

- Obtaining appropriate immigration permits (where applicable)
- Securing employment or establishing business activity
- Arranging accommodation and local presence
- Registering with:
  - Tax authorities
  - Social Insurance Services

## **Substance and Physical Presence**

In the context of evolving international tax standards, individuals and businesses should ensure that:

- Physical presence in Cyprus is consistent with tax residency claims
- Adequate economic and personal ties are established

This is particularly relevant for individuals relying on the 60-day rule and for companies establishing tax residency in Cyprus.

## **12. Anti-Avoidance and Compliance**

### **General**

Cyprus has implemented a comprehensive framework of anti-avoidance rules and compliance measures, aligned with European Union directives and OECD initiatives.

The framework is designed to ensure that the Cyprus tax system remains transparent, robust and internationally compliant, while maintaining its competitiveness.

### **General Anti-Abuse Rule (GAAR)**

Cyprus applies a General Anti-Abuse Rule (GAAR) under which:

- Arrangements that are not genuine and have been put in place with the main purpose, or one of the main purposes, of obtaining a tax advantage
- May be disregarded or recharacterised for tax purposes

An arrangement is regarded as non-genuine where it lacks commercial substance.

The GAAR is applied in line with the principles set out in the EU Anti-Tax Avoidance Directive.

### **Controlled Foreign Company (CFC) Rules**

Cyprus has implemented Controlled Foreign Company (CFC) rules in line with the EU Anti-Tax Avoidance Directive (ATAD).

Under these rules, certain undistributed income of a foreign subsidiary or permanent establishment

This above applies where:

- The foreign entity is subject to low taxation; and
- The income arises from non-genuine arrangements

### **Interest Limitation Rules**

Interest limitation rules apply to restrict excessive borrowing costs.

In general, net borrowing costs are deductible only up to 30% of the taxpayer's taxable EBITDA

Certain exemptions and thresholds may apply, including de minimis thresholds and Group ratio rule (where applicable)

### **Transfer Pricing**

Cyprus applies transfer pricing rules based on the arm's length principle, consistent with OECD Transfer Pricing Guidelines.

Key requirements include:

- Preparation of transfer pricing documentation (Master File and Local File, where applicable)
- Maintenance of supporting analysis
- Compliance with disclosure requirements in tax returns

Transfer pricing rules apply to both cross-border and domestic related-party transactions.

### **Hybrid Mismatches**

Cyprus has implemented rules addressing hybrid mismatch arrangements, in accordance with EU directives.

These rules are intended to:

- Prevent double deductions; or
- Prevent deductions without corresponding taxation

Such arrangements are adjusted to neutralise the tax advantage.

### **Withholding Tax Measures for Non-Cooperative Jurisdictions**

Specific anti-abuse provisions apply to payments made to entities in:

- Non-cooperative jurisdictions, or
- Jurisdictions included in the EU list of non-cooperative jurisdictions

Such measures may include the imposition of withholding taxes or denial of deductions, in accordance with applicable rules.

### **Pillar Two – Global Minimum Tax**

Cyprus has introduced measures aligned with the OECD Pillar Two framework, applicable to large multinational groups meeting the relevant revenue thresholds.

These rules aim to ensure a minimum effective tax rate of 15% at the group level.

The framework includes mechanisms such as:

- Income Inclusion Rule (IIR)
- Undertaxed Profits Rule (UTPR)

### **Reporting and Transparency**

Cyprus complies with international transparency standards, including:

- Common Reporting Standard (CRS)
- Directive on Administrative Cooperation (DAC), including DAC6 reporting obligations

These frameworks provide for the automatic exchange of financial and tax information between jurisdictions.

### **EU Reporting Framework (DAC7 and DAC8)**

Cyprus has implemented additional reporting obligations under the EU Directive on Administrative Cooperation, including:

- DAC7, which introduces reporting requirements for operators of digital platforms facilitating the provision of goods and services
- DAC8, which extends the framework to cover crypto-assets and e-money, enhancing transparency in digital financial transactions

These measures form part of the broader EU initiative to increase tax transparency and address emerging areas of economic activity.

### **Substance Requirements**

Taxpayers are expected to demonstrate adequate economic substance in Cyprus, particularly in cross-border structures.

Key indicators of substance include:

- Physical presence (office, employees)
- Local management and decision-making
- Commercial rationale for activities

## **13. Tax Calendar and Compliance Deadlines**

### **General**

Taxpayers in Cyprus are required to comply with various filing and payment obligations throughout the year.

These obligations differ depending on the nature of the taxpayer (individual or corporate) and the type of tax involved. Compliance is generally based on a combination of withholding, self-assessment and periodic reporting.

### **Corporate Income Tax**

#### Provisional Tax

Companies are required to estimate their taxable income and pay provisional tax in two instalments; 31 July and 31 December of the tax year. Revisions to provisional tax estimates may be made up to 31 December.

#### Tax Return Filing and Final Payment

As from the 2026 tax year, corporate income tax returns must be submitted by 31 January of the second year following the tax year.

Any balance of tax due is payable by the same deadline.

### **Personal Income Tax**

#### Filing Obligations

As from 2026:

- Cyprus tax resident individuals aged 25 to 70 are required to submit an annual tax return irrespective of income level
- Other individuals are required to file where income exceeds applicable thresholds or specific obligations arise

#### Tax Return Filing

Individuals without audited accounts by 31 July of the year following the tax year

Individuals with audited accounts by 31 January of the second year following the tax year

#### Payment of Tax

Individuals must settle any income tax payable by 31 July of the year following the tax year.

#### PAYE (Employment Income)

Deduction at source by employer and by the end of the month following the month to which salaries relate.

### **Social Insurance and GESY Contributions**

Payment by the end of the month following the month to which contributions relate.

### **Value Added Tax (VAT)**

VAT returns are generally submitted on a quarterly basis.

Payment of VAT is required by the 10<sup>th</sup> day of the second month following the end of the VAT period.

### **Capital Gains Tax (CGT)**

Capital Gains Tax is:

- Declared separately from income tax; and
- Payable to the Cyprus Tax Department within 30 days from the date of disposal

The taxpayer is responsible for calculating and settling the tax based on the gain realised. In practice, the Cyprus Tax Department may require confirmation of payment prior to the completion or registration of the transfer of immovable property.

### **Special Defence Contribution (SDC)**

SDC is typically withheld at source where applicable and where not withheld payment is made through the self-assessment system, in accordance with applicable deadlines

### **Late Payment and Compliance**

Failure to comply with filing and payment obligations may result in:

- Administrative penalties
- Interest on overdue amounts
- Additional surcharges in certain cases

Timely compliance is therefore essential to avoid unnecessary costs and administrative burden.

### **Note on Deadlines**

The above deadlines reflect the standard statutory framework. In practice:

- The Cyprus Tax Department may issue extensions for specific obligations; and
- Deadlines and thresholds are subject to periodic revision

## **14. About Andersen**

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The firm is a regulated accounting and professional services provider offering a comprehensive range of services to local and international clients, both in Cyprus and abroad. These include, inter alia:

- Tax advisory and compliance
- Accounting and financial reporting
- Business consulting
- Payroll services
- Corporate administration
- Trustee and fiduciary services

### **Andersen Global**

Andersen Global® was established in 2013 to develop a seamless, global professional services platform focused on delivering high-quality tax and legal services.

Today, Andersen Global® comprises:

- More than 50,000 professionals
- Over 3,000 global partners
- A presence in more than 1,000 locations across over 180 countries

Member firms are legally separate and independent, ensuring local expertise combined with global reach and coordination.

### **Presence in Cyprus**

Andersen Cyprus became an official member of Andersen Global® in April 2019. The Cyprus office is located at 48 Acropoleos Avenue, CY-2012 Nicosia, Cyprus. The firm operates from a central business location, providing convenient access to clients and supporting its role as a trusted advisor to both domestic and international businesses.

### **Service Approach**

Andersen combines local market knowledge with international expertise, enabling it to deliver pragmatic, tailored solutions across a wide range of industries.

The firm's approach is guided by the core values of:

- Stewardship
- Best-in-class service
- Independence
- Seamless collaboration

## **15. Disclaimer**

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