

CYPRUS TAX UPDATE

ON 10 APRIL 2025, THE CYPRUS HOUSE OF REPRESENTATIVES PASSED LAW NO. 47(I)/2025 AND LAW NO. 48(I)/2025 INTRODUCING NEW DEFENSIVE TAX MEASURES AIMED AT LOW-TAX AND BLACKLISTED JURISDICTIONS. THESE MEASURES FORM PART OF CYPRUS'S ONGOING EFFORTS TO ALIGN WITH INTERNATIONAL TAX STANDARDS AND ENHANCE THE INTEGRITY OF ITS TAX FRAMEWORK.

KEY PROVISIONS

Low-Tax Jurisdictions (LTJs)

Effective **1 January 2026**, the legislation introduces the following measures for LTJs (defined as jurisdictions with a corporate tax rate less than 50% of Cyprus's rate, currently 12.5%):

- > 17% withholding tax (WHT) on dividend payments to associated companies in LTJs;
- > Non-deductibility of interest and royalty payments made to associated companies in LTJs for corporate income tax purposes.

Blacklisted Jurisdictions (BLJs)

Effective **16 April 2025**, the legislation reinforces the existing provisions (initially introduced on 31 December 2022) for EU-designated BLJs:

- > 17% WHT on dividend and interest payments to associated companies in BLJs;
- > 10% WHT on royalty payments to associated companies in BLJs.

Additional Measures

The legislation is further supported by:

- > General Anti-Abuse Rules (GAAR) to prevent circumvention
- > Treaty renegotiation provisions to align bilateral agreements with the new framework

NEXT STEPS

Taxpayers with international or cross-border structures involving LTJs or BLJs should review their arrangements to assess the potential impact of these measures. Early planning and, where necessary, restructuring will be key to ensuring compliance and mitigating any adverse tax consequences.

For further information, please contact Marilena Stylianou, Head of Financial Services - Cyprus, at mstylianou@tridenttrust.com.

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