

SUMMARY OF CYPRUS'S 2026 TAX REFORMS

ON 22 DECEMBER 2025, THE CYPRUS PARLIAMENT APPROVED AN EXTENSIVE PACKAGE OF TAX REFORMS AIMED AT MODERNISING THE COUNTRY'S FISCAL FRAMEWORK. THE LEGISLATION WAS PUBLISHED IN THE GOVERNMENT GAZETTE ON 31 DECEMBER 2025, MARKING ITS FORMAL ENTRY INTO FORCE.

The following memorandum outlines the principal changes introduced by the reforms, all effective from **1 January 2026**.

STAMP DUTY LAW

The Stamp Duty Law has been entirely repealed, eliminating all forms of stamp duty previously imposed on documents and transactions.

COLLECTION OF TAXES LAW

The Commissioner of Taxation has been granted enhanced enforcement powers, including the authority to pledge a taxpayer's shares when outstanding tax obligations exceed €100,000.

ASSESSMENT AND COLLECTION OF TAXES LAW

Key amendments include:

- > Director liability: directors remain legally responsible for acts or omissions committed during their period of office, even after resignation
- > Individual tax return obligations
 - > all Cyprus tax resident individuals who earn income must file a tax return, regardless of age
 - > additionally, individuals aged 25 to 71 must submit a return even if they have no income
- > Corporate deadlines: company tax returns and corporation tax payments must now be submitted by 31 January of the second year following the tax year (i.e., 13 months after year-end)
- > Employer return deadline: the annual employer return must be filed by 31 March of the year following the year of assessment
- > Partnership obligations: partnerships are now formally required to submit tax returns
- > Business suspension powers: the Commissioner may suspend a business's operations in cases of serious non-compliance (e.g., non-filing of tax returns, non-payment of tax, failure to issue valid invoices/receipts)
- > Electronic rent payments: rent payments must be made through electronic means

INCOME TAX LEGISLATION

Corporate and General Tax Changes

- > Corporate income tax rate increased from 12.5% to 15%
- > Tax loss carry-forward period extended to seven years
- > Crypto asset gains arising from sale, gift, exchange, or use as a means of payment are taxed at 8%

Transfer Pricing

Revised local file thresholds:

- > Goods: €5,000,000
- > Financing transactions: €10,000,000
- > Other transactions: €2,500,000

Other Significant Amendments

- > Employee and officer share option schemes may be taxed at a flat 8%
- > Fund unit redemptions will be treated as dividend income (and potentially subject to SDC) rather than gains from disposal of securities
- > The 60-day tax residency rule (the condition requiring the individual not to be tax resident elsewhere) has been removed
- > All Cyprus incorporated companies are considered Cyprus tax residents unless a double tax treaty provides otherwise

Employment Income Provisions

- > Taxable income now includes:
 - > benefits offered to encourage an individual to accept employment or assume office
 - > ex gratia payments, early retirement benefits, and termination compensation
- > Any amount exceeding €200,000 in relation to retirement or termination is taxed at 20%

Research & Development (R&D) Incentive

A 20% additional deduction ("super deduction") is available for scientific research and R&D expenses incurred between 2025 and 2030.

Updated Personal Income Tax Bands

TAXABLE INCOME	RATE
0 – 22,000	0%
22,000 – 32,000	20%
32,000 – 42,000	25%
42,000 – 72,000	30%
72,000	35%

SPECIAL DEFENCE CONTRIBUTION (SDC)

Key Revisions

- > Dividend SDC rate for Cyprus tax resident and domiciled individuals reduced from 17% to 5%
- > SDC on rental income abolished
- > Deemed Dividend Distribution (DDD) provisions abolished
- > Deemed dividend tax on capital reductions is extended to companies
- > Withholding tax on dividends paid to entities in:
 - > blacklisted jurisdictions: 17%
 - > low-tax jurisdictions: 5%

Expanded Definition of "Dividend"

Dividend income now includes distributions of company assets arising from:

- > Capital reductions
- > Dissolution or liquidation
- > Share redemptions (for collective investment schemes from 1 January 2031)
- > Use of distributable reserves to increase share capital

Disguised Dividend Rules (10%)

Applicable when:

- > A shareholder (or related party) uses company assets privately
- > Company assets are transferred to a shareholder (or related party) below fair market value

Exclusions apply in cases of donated assets from shareholders.

Additional Administrative Requirements

- > Companies must issue dividend certificates showing:
 - > dividend amount
 - > SDC withheld
 - > fiscal year earned
- > For distributions involving non-monetary assets, SDC must be paid before the transfer and later recovered from beneficiaries
- > Bonus shares are treated as dividends
- > Deemed dividends taxed at 10% include:
 - > market value of assets privately used by shareholders
 - > market value of assets transferred to shareholders minus any consideration
- > Non-domiciled individuals may extend their SDC exemption beyond the standard 17 years for two additional five-year periods, subject to a €250,000 lump sum payment per period

CAPITAL GAINS TAX (CGT)

Main Amendments

- > A 20% CGT now applies to gains from the disposal of shares in companies whose value derives 20% or more (previously 50%) from Cyprus immovable property
- > Updated CGT exemptions:
 - > general: €30,000
 - > agricultural land: €50,000
 - > primary residence: €150,000
- > Exemption for share disposals applies only to shares listed on a regulated stock exchange
- > Gains up to €50,000 from disposal of unlisted (on a regulated stock exchange) shares are exempt
- > Transactions involving land-for-building exchanges are now included within exemptions

INTEREST INCOME

- > Individuals: interest is taxed solely under SDC
- > Companies: interest is taxed only under income tax

HOW WE CAN ASSIST

Those affected by these legislative changes should assess their tax position and seek appropriate professional tax advice to ensure continued compliance.

For more information, please contact your usual Trident Trust representative or our Cyprus office at cyprus@tridenttrust.com.

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