



CYPRUS TAX REFORM

**A simplified guide in respect to the most
important amendments introduced**



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Cyprus tax reform – A simplified guide in respect to the most important amendments introduced

On 22 December 2025, the Cyprus Parliament voted into law the long-awaited tax reform package which aims to reshape and modernize the country's tax system.

Cyprus Tax Reform Highlights

- Stamp Duty is abolished as from 1 January 2026.
- Income Tax: revised personal tax brackets effective from tax year 2026, new personal tax deductions framework, special modes of taxation and incentives revised, corporate income tax rate increased to 15%.
- Special Defence Contribution (SDC): SDC on dividends reduced, SDC on rents abolished, deemed dividend distribution abolished, compliance and penalty mechanics updated.
- Capital Gains Tax (CGT): wider scope for indirect disposals of Cyprus immovable property via shares, exemption thresholds updated, interest/penalties updated.
- Procedural/collection laws: stricter filing/penalty framework, expanded powers to Tax Department, share blocking for significant tax debts, electronic rent payment requirements.

We provide below a summary of the key amendments. Unless stated otherwise, changes are effective from 1 January 2026.

1. Income Tax Law (Amending) (No.4) Law 2025 (244(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)		Previously applicable position (principal law, pre-amendment)	
	Taxable income (EUR)	Tax rate	Taxable income (EUR)	Tax rate
Personal Income Tax Rates	0 – 22.000	0%	0 – 19.500	0%
	22.000 – 32.000	20%	19.500 – 28.000	20%
	32.000 – 42.000	25%	28.000 – 36.300	25%
	42.000 – 72.000	30%	36.300 – 60.000	30%
	Over 72.000	35%	Over 60.000	35%
KT & Co Highlights: The personal income tax thresholds are revised upwards as from the tax year 2026.				
Corporate tax rate	The corporate tax rate has been increased to 15%.		The corporate tax rate was previously 12.5%.	
KT & Co Highlights: The corporate tax rate has increased from 12.5% to 15%.				

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Personal deductions	<p>Deductions are granted to Cyprus tax resident individuals for children, housing and green transition, provided that the family income does not exceed:</p> <ul style="list-style-type: none"> • EUR100.000 in case of no children or in case the number of children as at 31/12 of the tax year are up to 2 • EUR150.000 in case the number of children as at 31/12 of the tax year are 3 or 4 • EUR200.000 in case the number of children as at 31/12 of the tax year are 5 or more • EUR40.000 in case of a single person <p>The above also apply in the case of single-parent families.</p> <p>The deductions are granted only if the tax returns for the specific year are submitted within the relevant deadline, and provided that the spouses or common-law partners consent to the disclosure between them of their tax information.</p> <p>Family income is defined in the Provision of Child Benefit Law as the annual gross income of all family members.</p>	Not applicable
	<i>Children allowance</i>	
	<p>A deduction is granted to each parent of EUR1.000 for the 1st child, EUR1.250 for the 2nd child and EUR1.500 for the 3rd and each additional child.</p> <p>For single-parent families, and a parent with full custody of the children, a double deduction is granted to the parent.</p>	Not applicable
	<i>Housing allowance</i>	
	<p>A deduction of up to EUR2.000 is granted to each spouse or common-law partner or single person in respect of loan interest or rent for main residence in Cyprus.</p>	Not applicable

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<p>Green transition allowance</p> <p>A deduction of up to EUR1.000 is granted to each spouse or common-law partner or single person in respect of capital expenditure incurred for energy efficiency improvement of main residence in Cyprus and acquisition of electric cars. If the capital expenditure incurred is not fully utilized as a deduction within the year that it was incurred, it may be carried forward in the next 4 years.</p>	Not applicable
<p>KT & Co Highlights: Deductions are now granted to single persons and families based on family income and number of children. The deductions are not restricted to 1/5th of the net income and are fully deducted separately. The Tax Department has published detailed guidance and FAQs on its website.</p>		
Insurance of residence against natural disasters	A deduction of up to EUR500 is granted to natural persons for insurance paid for protection of residence against natural disasters.	Not applicable
<p>KT & Co Highlights: Tax benefit granted to natural persons for insurance paid to protect their residence against natural disasters. The deduction forms part of the net income on which the maximum deduction of 1/5th is calculated.</p>		
New definition of tax residence	<p>For natural persons:</p> <p>The definition of tax resident under the 60-days tax residency rule has been amended to remove the previous condition which required that the individual should not be a tax resident in any other country within the tax year.</p>	<p>One of the criteria to be treated as a Cyprus tax resident under the 60-days rule was that the individual should not be a tax resident in any other country within the tax year.</p>

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<p>For companies:</p> <p>A Cyprus incorporated company is treated as tax resident of Cyprus unless there is a double tax treaty with another country which states otherwise. Also, companies that transfer their registered office or legal seat to Cyprus are considered as incorporated in Cyprus.</p>	<p>Previously, the law provided that a Cyprus incorporated company was tax resident of Cyprus, even if management and control was exercised outside Cyprus, unless it was a tax resident in another country. This clause has now been removed.</p>
<p>KT & Co Highlights: <i>The law has broadened the definition of tax residence for companies. All Cyprus incorporated companies are now treated as tax residents of Cyprus, even if they are also treated as tax residents in another country, unless there is a double tax treaty which clarifies that the company is a tax resident in the other country.</i></p>		
<p>Employment income</p>	<p>The definition of what constitutes taxable employment income has been extended to also include the following:</p> <ul style="list-style-type: none"> • Benefits granted as incentive for the acceptance of employment or office (also applies if the benefit was granted prior to the commencement of employment or office appointment) • Ex-gratia payments on retirement, early retirement, termination or early termination of employment or office • Benefit granted under an early retirement plan • Compensation for termination of employment or office, which is not provided for in any document which regulates the employment or office appointment 	<p>Previously, taxable employment income was defined under a general definition as any profits or other benefits from any office or employment. This effectively meant that, under certain circumstances, if it could be substantiated that such profits or benefits were not provided for in the employment terms and did not relate with a person's employment, should not be taxed.</p>

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<ul style="list-style-type: none"> Any other benefits granted under any contract or document which regulate the employment or office appointment Any amounts, including compensation, receivable under a court order relating to points (a) - (e) above. <p>For employment income under points (b) - (d) above, there is a special mode of taxation, under which any amounts exceeding €200,000 are taxed at a rate of 20%, and such expenses are not deductible for the employer.</p>	
KT & Co Highlights: <i>The definition of what constitutes taxable employment income has been broadened to clarify that payments and benefits upon accepting an employment or office, termination or retirement, should be taxable, while a favorable tax treatment has been introduced for certain payments.</i>		
Interest Income	For natural persons:	Previously, interest income was subject to income tax and exempt from SDC if considered of trading nature. If considered of capital nature, the interest income was exempt from income tax and subject to SDC.
	Interest income is exempt from income tax and is subject to SDC (subject to non-domicile exemption).	
	For companies:	
	Interest income is subject to income tax and is exempt from SDC.	

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<p>For approved provident funds:</p> <p>Interest earned by approved provident funds incorporated in Cyprus or the EU is exempt from income tax and is subject to SDC.</p>	
<p>KT & Co Highlights: <i>The Law provides clarity and certainty on the tax treatment of interest income for individuals and companies, without complex assessments to determine whether such income should be considered trading nature or capital nature.</i></p>		
Receivables from directors and shareholders	The 9% benefit in kind imposition on financial assistance granted to directors and shareholders, which are natural persons, has been extended to also include indirect shareholders.	The 9% benefit in kind imposition was previously applicable only to directors and direct shareholders, which are natural persons.
<p>KT & Co Highlights: <i>The benefit in kind rules have been extended to indirect shareholders. Companies which have receivables of financing nature from their directors or shareholders (direct or indirect), which are natural persons, are subject to the benefit in kind rules, irrespective if the individual is not a Cyprus tax resident. We are expecting clarifications in respect of this matter.</i></p>		
Transfer pricing thresholds	<p>The thresholds for the preparation of a transfer pricing Local File have been increased as follows:</p> <ul style="list-style-type: none"> • Sale and purchase of Goods transactions: EUR5.000.000 • Financing transactions: EUR10.000.000 • Any other transactions: EUR2.500.000 	<p>The transfer pricing Local File thresholds were previously as follows:</p> <ul style="list-style-type: none"> • Financing transactions: EUR5.000.000 • Any other transactions: EUR1.000.000
<p>KT & Co Highlights: <i>Although the thresholds have increased, taxpayers are still required to prepare minimum transfer pricing documentation or apply safe-harbor rules for related party transactions which fall below the thresholds.</i></p>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Amendments to arm's length provisions (article 33)	It is clarified that no transfer pricing adjustment shall be made under article 33 for use of a company's assets by a direct or indirect shareholder or a person related to the shareholder, if the shareholder has paid SDC on a disguised dividend distribution for the use of the specific asset under the provisions of the SDC Law.	Not applicable
KT & Co Highlights: <i>It is clarified that if SDC is paid on a disguised dividend distribution for the use of a company's assets by the shareholder, then the provisions of article 33 should not apply in respect to such transactions.</i>		
Expansion of related party definition	It is clarified that the director of a company shall be considered a related party if he (or he and persons connected to him), based on the company's articles or any other authorization by the company's shareholders, has voting rights of at least 50% in respect of board decisions.	Not applicable
KT & Co Highlights: <i>Directors may now be treated as related parties and be subject to the transfer pricing rules for any transactions concluded between them and the company.</i>		
Profit from crypto assets	Gains arising on crypto assets (as defined in EU Regulation 2023/1114) are taxed at a flat rate of 8%. This captures gains arising on: <ul style="list-style-type: none"> • The sale of crypto assets • The gift of crypto assets • The exchange of a crypto asset with another crypto asset • The use of crypto assets as means of payment 	Not applicable
KT & Co Highlights: <i>Previously, gains on crypto assets were taxable at the standard income tax rates but only if they were of trading nature. Under the new law, gains on crypto assets (irrespective if trading nature or capital nature) are taxable at a flat rate of 8%.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<p>Losses on disposal of crypto assets can be offset only against profits on disposal of crypto assets of the same tax year. Such losses cannot be carried forward in future years or surrendered to other group companies under the group relief provisions.</p> <p>The special mode of taxation does not apply for gains on crypto assets that were acquired through mining activities. Any gains on crypto assets not falling within the special mode of taxation, are taxed normally.</p>	
KT & Co Highlights: <i>Previously, gains on crypto assets were taxable at the standard income tax rates but only if they were of trading nature. Under the new law, gains on crypto assets (irrespective if trading nature or capital nature) are taxable at a flat rate of 8%.</i>		
Deduction for entertainment expenses	Entertainment expenses are deductible up to EUR30.000 or 1% of gross turnover, whichever is lower.	Entertainment expenses were deductible up to EUR17.086 or 1% of gross turnover, whichever is lower.
KT & Co Highlights: <i>Increase of the limit for deduction of entertainment expenses.</i>		
Interest expense on acquisition of 100% owned subsidiary	Interest expense for acquisition of a directly or indirectly wholly owned subsidiary which does not own any assets not used in the business is not deductible if the subsidiary is in a blacklisted jurisdiction.	Interest expense was allowed as a tax deduction even if the subsidiary was in a blacklisted jurisdiction.
KT & Co Highlights: <i>Deductibility of interest expense on acquisition of a wholly owned subsidiary is now restricted if the subsidiary is tax resident in a blacklisted jurisdiction or is incorporated in a blacklisted jurisdiction and not resident in a non-blacklisted jurisdiction.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Carry forward of tax losses	Tax losses can be carried forward for 7 years.	Tax losses were carried forward for 5 years.
KT & Co Highlights: <i>The timeframe to carry forward tax losses has been extended from 5 years to 7 years.</i>		
Group relief	A Company should first offset its taxable profit against any tax losses brought forward from prior years, and then apply the group relief provisions.	Not applicable
KT & Co Highlights: <i>It is clarified that the group relief provisions apply only after a company fully utilizes any losses brought forward from prior years.</i>		
Share option schemes	<p>Benefits arising to Cyprus tax resident employees or directors of a company under an approved per employee or director share option scheme is taxed under a flat rate of 8%.</p> <p>The 8% tax rate is applied up to the amount of the benefit which equals the double of the employee's or director's taxable remuneration from employment (excluding the share option benefit) which arises within the year in which the vesting period expires. The remaining benefit is taxed normally under the standard personal income tax rates.</p> <p>To be eligible under the 8% flat tax rate, the share option rights:</p> <ul style="list-style-type: none"> • Must have a minimum vesting period of 3 years, which should not start before the date that the option scheme per employee or director is approved by the Commissioner • Must not be transferable before the expiry of the minimum vesting period • Relate to shares in the employer or a directly or indirectly related parent company, and which have the same rights and obligations as the ordinary shares of such company (except voting rights) 	Share option benefits were previously subject to tax normally under the standard personal income tax rates.

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<ul style="list-style-type: none"> Have a minimum strike price not lower than 50% of the value of the shares as at the date of approval of the scheme by the Commissioner for the specific employee or director <p>For already existing share option schemes, employers can submit the scheme for approval to the Commissioner within 6 months as of 01/01/2026, provided that the minimum 3-year vesting period is not expired before the lapse of the 6 months.</p> <p>The total benefit which is taxable at the rate of 8% cannot exceed EUR1.000.000 per rolling decade.</p> <p>The benefit of the 8% flat rate does not apply in case the employee or director is related to the company under the provisions of article 33 of the ITL.</p>	
KT & Co Highlights: <i>A special mode of taxation may apply to share option schemes which are approved by the Commissioner, allowing taxation of such benefits at a flat rate of 8% instead of the standard income tax rates.</i>		
Compensation for breaching or cancelling contracts	Any amounts payable under a contract for breaching, cancellation or early termination of the contract, shall be taxable in case where the income from the contract (had this been executed) would have been taxable.	Not applicable
KT & Co Highlights: The law is providing clarity on the tax treatment of such compensation.		
Lump sum on pension conversion	Such payments are exempted from income tax only if paid with respect to contributions made to approved funds in Cyprus or the EU.	Such payments were previously exempted from income tax without any condition.
KT & Co Highlights: <i>Income received by an individual as lump sum on conversion of pension is non-taxable only if the contributions were made to Cyprus or EU approved funds. Previously, such income was exempted from income tax without any conditions.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Redemption of units in collective investment schemes	As from 01/01/2031, profit on the redemption of units or shares in open-end or close-end collective investment schemes set up in the form of a company, after deducting any amount of capital gains tax paid, is treated as dividend and may be taxed accordingly under income tax or SDC.	The redemption of units or shares in open-end or close-end collective investment schemes was treated as disposal of title thus non-taxable.
KT & Co Highlights: <i>As from 01/01/2031, redemption of units or shares in collective investment schemes set up in the form of a company shall be treated as dividends, and therefore income tax or SDC may apply.</i>		
Capital allowances on intangible assets	<p>For intangible assets with indefinite useful life, capital allowances are granted over a period of 20 years.</p> <p>In case of intangible assets acquired by a company in exchange of share capital, the cost for claiming capital allowances should not exceed the market value of the asset as at the date of acquisition and such cost should be properly documented.</p>	The law previously stated that capital allowances should be calculated over the useful life of the intangible asset, with a maximum period of 20 years.
KT & Co Highlights: <i>The law clarifies how capital allowances should be calculated in the case of intangible assets with indefinite useful life, and in case of acquisition of intangible assets in exchange of shares.</i>		
Donations to approved cultural institutions	<p>A deduction is granted up to EUR50.000 for donations or contributions made to approved cultural institutions.</p> <p>In the case of losses within the tax year in which the donation / contribution was made, the part of the loss up to the donation amount cannot be carried forward.</p>	Not applicable
KT & Co Highlights: <i>The law provides that donations made to certain approved cultural institutions may be allowed as a tax deduction.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Expenses for first listing of shares in a recognized stock exchange	<p>A deduction is granted to a company of up to EUR300.000 for expenses relating to first listing of its shares in a recognized stock exchange (subject to conditions).</p> <p>The deduction is granted to the extent that it does not result to a loss, and in case of an unspent amount, this may be carried forward in the next 2 years.</p>	Not applicable
KT & Co Highlights: <i>The law allows for a deduction for first listing of a company's shares in a recognized stock exchange.</i>		
Deduction to employer for the payment of Cost-of-Living Adjustment	<p>An additional deduction is granted to an employer that pays a Cost-of-Living Adjustment to its employees, which is equal to double the additional expenditure incurred for the payment of the Cost-of-Living Adjustment in relation to the immediately preceding year (subject to conditions).</p>	Not applicable
KT & Co Highlights: <i>A double deduction is granted to employers that pay a Cost-of-Living Adjustment to their employees.</i>		
Non-deduction of salary costs if non-payment of GHS contributions	<p>If contributions to the General Healthcare System (GHS) are not paid in the year that they are due, the salary expense to which such contributions relate shall not be allowed as a tax deduction.</p>	<p>Previously, the salary expense restriction applied only if contributions to all other funds (i.e., social insurance fund, redundancy fund, human resources development fund, social cohesion fund, pension fund and provident fund) were not paid in the year that they were due. The law has been extended to cover GHS contributions.</p>
KT & Co Highlights: <i>The law has been extended to restrict the deductibility of salary expense if GHS contributions are not paid in the year that they are due.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Non-deduction of rent expense if payment not made electronically	<p>As from 01/07/2026, the payment of rents should be made only by electronic means (refer to Assessment & Collection of Taxes Law).</p> <p>In case payment of rents is not made electronically, the rent expense is not allowed as a deduction.</p>	Not applicable
KT & Co Highlights: <i>Restriction of rent expense deductibility as of 01/07/2026 if the payment of the rent is not made electronically.</i>		
Capital allowances for increase of energy efficiency of buildings and electric vehicles	The provisions of the law with respect to capital allowances on expenditure incurred for the increase of the energy efficiency of buildings and acquisition of electric vehicles has been extended to the year 2030.	Previously, the provisions of the law applied for expenditure incurred in the years 2023 – 2026.
KT & Co Highlights: Extension of the provisions for capital allowances on expenditure incurred for increase of energy efficiency of buildings and acquisition of electric vehicles to expenditure incurred up until the year 2030.		
Capital allowances on assets acquired in exchange of shares	In case of assets acquired by a company in exchange of share capital, the cost for claiming capital allowances should not exceed the market value of the asset as at the date of acquisition, and such cost should be properly documented.	Not applicable
KT & Co Highlights: <i>The law clarifies that in case of acquisition of assets in exchange of shares, the cost for capital allowances should not exceed their market value.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Capital allowances on agriculture and livestock farming machinery	Accelerated capital allowances at the rate of 25% are granted on capital expenditure for machinery and facilities used in agriculture and livestock production, after deduction of any subsidies.	Not applicable
KT & Co Highlights: <i>Accelerated capital allowances granted on capital expenditure for machinery and facilities used in agriculture and livestock farming.</i>		
Deduction for incapacity insurance	<p>A deduction is granted to natural persons for insurance premiums paid to Cyprus or EU insurance companies, for permanent or temporary or partial incapacity.</p> <p>The deduction is restricted to 7% of the payable amount on incapacity.</p>	Not applicable
KT & Co Highlights: Tax deductions for insurance premiums have been extended to include insurance premiums for permanent or temporary or partial incapacity.		
Income on partial redemption of life insurance policy	<p>In case of partial redemption of a life insurance policy, if the partial redemption amount exceeds the gross redemption value of the contract as at 31/12 of the fourth year that precedes the year of redemption, 50% of the exceeding amount of the partial redemption is added to the taxable income of the individual.</p> <p>The law provides further guidance on the calculation of the value of the gross redemption value.</p>	Not applicable
KT & Co Highlights: <i>The law introduces taxing provisions for partial redemption of life insurance policies.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Insurance companies	The insurance premium tax for life insurance companies has been abolished.	Insurance premium tax was charged to life insurance companies under certain conditions.
KT & Co Highlights: <i>Abolishment of the insurance premium tax for life insurance companies.</i>		
Overseas pensions	Overseas pensions exceeding EUR5.000 may be subject to income tax at the rate of 5%.	The 5% income tax rate applied on overseas pensions exceeding EUR3.420.
KT & Co Highlights: <i>The non-taxable threshold for overseas pensions has increased from EUR3.420 to EUR5.000.</i>		
General Anti-Abuse Rules (GAAR)	The GAAR of the ITL have been expanded to also cover transactions concluded by natural persons.	The GAAR rules previously covered only transactions concluded by companies.
KT & Co Highlights: <i>This amendment strengthens the position of the Tax Department and allows to disregard non-genuine transactions which have been put in place primarily for obtaining a tax advantage.</i>		
Permanent Establishment Exemption	The exemption from tax in Cyprus of overseas permanent establishments (P/E) shall not apply in case the P/E is located in a blacklisted jurisdiction.	No restriction existed before for P/Es located in blacklisted jurisdictions.
KT & Co Highlights: <i>The profits of P/Es located in blacklisted jurisdictions shall be subject to tax in Cyprus. Any tax paid by the P/E outside Cyprus may be claimed as a double tax relief.</i>		

2. Special Defence Contribution Law (Amending) (No.4) Law 2025 (245(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
SDC on dividends received by individuals	<p>Cyprus tax resident and domicile individuals are subject to SDC on dividends received at the rate of 5%.</p> <p>Dividends are reduced by:</p> <ul style="list-style-type: none"> Any deemed dividend distribution under the deemed dividend distribution provisions, or Any dividends issued out of income which derives directly or indirectly out of dividends on which SDC was paid <p>It is noted that dividends received from a Cyprus resident company up until 6 years as from 01/01/2026, and which are issued out of profits of the tax years up to the year 2025, are subject to SDC at the rate of 17%.</p> <p>Anti-abuse rules provide that dividends paid to a company in which a Cyprus tax resident domicile individual participates directly or indirectly by more than 50% (through voting rights, capital or share of profits), and the Tax Department believes that this arrangement was put in place to avoid paying SDC or paying a reduced SDC rate, the Tax Department can claim the SDC on the dividends either from the company or from the individual.</p>	<p>Cyprus tax resident and domicile individuals were previously subject to SDC on dividends received at the rate of 17%.</p>
<p>KT & Co Highlights: <i>SDC rate on dividends has been reduced from 17% to 5%. Certain transitional rules apply for dividends paid out of profits of the years up to 2025 which should be subject to SDC at a 17% rate.</i></p>		
SDC on dividends received by Cyprus tax resident companies from Cyprus tax resident companies	<p>Dividends paid between Cyprus tax resident companies are generally exempt from SDC, with the following exemptions:</p> <ol style="list-style-type: none"> Dividends received indirectly after the lapse of 4 years from the end of the year in which the profits were created. This applies only in relation to: <ul style="list-style-type: none"> Profits that were created up until the year 2023 Dividends received up to 6 years as from 01/01/2026, and which are issued out of profits of the years up until the year 2023 	<p>Dividends paid between Cyprus tax resident companies were generally exempt from SDC, with the exemption of dividends paid indirectly after the lapse of 4 years from the end of the year in which the profits were created for which the SDC rate was 17%.</p>

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
SDC on dividends received by Cyprus tax resident companies from Cyprus tax resident companies	<p>2. Dividends received directly:</p> <ul style="list-style-type: none"> • During the year 2026 out of profits of the year 2024 • During the years 2026 and 2027 out of profits of the year 2025 <p>Dividends are reduced by:</p> <ul style="list-style-type: none"> • Any deemed dividend distribution under the deemed dividend distribution provisions • Any dividends issued out of income which derives directly or indirectly out of dividends on which SDC was paid • Any dividends corresponding directly or indirectly to an individual which as at the date of payment of the dividend was not Cyprus tax resident domicile <p>The applicable SDC rate on such dividends is 17%.</p>	<p>Dividends paid between Cyprus tax resident companies were generally exempt from SDC, with the exemption of dividends paid indirectly after the lapse of 4 years from the end of the year in which the profits were created for which the SDC rate was 17%</p>
<p>KT & Co Highlights: <i>Dividends paid between Cyprus tax resident companies are generally exempt from taxation, while transitional rules have been introduced which expire by 31/12/2031 to ensure that dividends paid out of the years up to 2025 will be subject to SDC at the rate of 17%.</i></p>		
SDC on dividends received by Cyprus tax resident companies from non-Cyprus tax resident companies	<p>Dividends received by a Cyprus tax resident company from a non-Cyprus tax resident company remain exempt from SDC as before unless both the below conditions are met:</p> <ul style="list-style-type: none"> • The company paying the dividend engages directly or indirectly more than 50% in activities which create investment income, and • The foreign tax burden is less than 50% of the Cyprus tax burden <p>When the exemption does not apply, the SDC rate is 5%.</p>	<p>Dividends received by a Cyprus tax resident company from a non-Cyprus tax resident company were exempt from SDC unless both the two conditions were met, in which case the SDC rate was 17%.</p>
<p>KT & Co Highlights: <i>Dividends received by a Cyprus tax resident company from overseas which cannot claim the relevant exemption are now subject to SDC at the rate of 5% instead of 17%.</i></p>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
SDC on dividends paid by a Cyprus company to companies in Blacklisted or Low-Tax Jurisdictions	<p>The SDC rate on dividends paid to related companies in blacklisted jurisdictions (BLJs) is 17%.</p> <p>The SDC rate on dividends paid to related companies in low-tax jurisdictions (LTJs) is 5%.</p> <p>In cases where a jurisdiction is both a BLJ and a LTJ, the 17% SDC rate applies.</p>	<p>The SDC rate on dividends paid to related companies in both BLJs and LTJs was 17%</p>
<p>KT & Co Highlights: <i>The SDC rate on dividends paid by a Cyprus company to a company in a LTJ has been reduced to 5% while for dividends paid to BLJs the SDC rate remains 17%.</i></p>		
Dividend concept	<p>The law clarifies that the following transactions should be treated as dividends:</p> <ol style="list-style-type: none"> Assets distributed to the shareholder in a capital reduction, dissolution or liquidation, where the market value of the distributed assets exceeds the amount of capital actually paid to the company by the shareholder (reduced by any capital gains tax on the said assets). <p>It is noted that:</p> <ul style="list-style-type: none"> If the shareholder is an individual and paid SDC in a disguised dividend distribution, the amount of the dividend is reduced by the amount of the disguised dividend for the said asset The amount of the capital actually paid by the shareholder is reduced by any capital previously returned to the shareholder in a prior capital reduction or/and a disguised dividend distribution 	Not applicable

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<ul style="list-style-type: none"> From 01/01/2031, the redemption of units in a collective investment scheme set up in the form of a company constitutes a capital reduction. <p>2. Increasing a company's issued capital through capitalization of distributable reserves.</p>	
KT & Co Highlights: <i>The concept of dividends is widened to include distribution of assets in a capital reduction, dissolution or liquidation, and capitalization of distributable reserves.</i>		
SDC on disguised dividend distribution	<p>The concept of disguised dividend distribution applies to direct and indirect shareholders in Cyprus resident companies who are natural persons. The SDC rate on disguised dividends is 10%.</p> <p>The disguised dividend is equal to:</p> <ol style="list-style-type: none"> The market value of a company's asset which is used by the shareholder or a person connected with him. <ul style="list-style-type: none"> The market value is calculated on the day that the asset begins to be used for personal use. The amount of the disguised dividend is calculated based on the % of personal use. In case the asset is not connected with the company's business, the personal use % is 100%. In case the % of personal use increases, the additional disguised dividend is calculated based on the market value of the asset as at the date of the increase. No SDC refunds are granted in case the % of personal use is reduced. No disguised dividend is calculated if the company acquired the asset from the shareholder by gift. The difference between the market value of any asset disposed by the company to the shareholder or a person connected with him, as at the date of disposal and the amount of the consideration paid. 	<p>There was no concept for a disguised dividend distribution. But the law provided that whenever an asset is disposed by a company to an individual shareholder or to a relative up to the 2nd degree of kinship, without the payment of consideration or with consideration that is less than the market value of the asset disposed, it is deemed that the company distributes a dividend equal to the difference between the market value and the amount of the consideration. The SDC rate was 17%.</p>

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<ul style="list-style-type: none">• No disguised dividend is calculated if the company acquired the asset from the shareholder by gift.• The disguised dividend is reduced by any amount of disguised dividend on which SDC was paid under point (a) above.	
KT & Co Highlights: <i>The concept of a disguised dividend is introduced in the law to capture private use of the company's assets by an individual shareholder, and transfer of assets at undervalue. The SDC rate is 10% which is double the SDC rate on normal dividends.</i>		
SDC on interest income	For natural persons:	Previously, interest income was subject to income tax and exempt from SDC if considered of trading nature. If considered of capital nature, the interest income was exempt from income tax and subject to SDC at the rate 17% or 3%. SDC at the rate of 17% was applicable on interest paid or credited by a Cyprus resident company to a related company in a BLJ.
	Interest income is exempt from income tax and is taxed under SDC at the rate of 17%. With respect to income received from certain securities issued by the Cyprus government or an EU Member State, as well as corporate bonds listed in a recognized stock exchange, the SDC rate is 3%.	
	For companies:	
	Interest income is exempt from SDC and is taxed only under corporation tax, with the exception of interest earned by eligible religious, charitable or educational institutions of a public nature, and eligible companies established for the promotion of art, science or sports, whose income is exempt from income tax. In such case, the SDC rate is 17% unless the interest income is derived from certain securities issued by the Cyprus government or an EU Member State, or corporate bonds listed in a recognized stock exchange, in which case the SDC rate is 3%. As before, SDC at the rate of 17% applies on interest paid or credited by a Cyprus resident company to a related company in a BLJ	

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
SDC on deemed dividend distribution	<p>The deemed dividend distribution provisions have been abolished. The following transitional rules apply:</p> <ul style="list-style-type: none"> • A deemed dividend distribution applies for profits of the years 2024 and 2025. The deemed dividend distribution is calculated normally at the end of the two-year period from the end of the relevant tax year in which the profits were created (i.e., 31/12/2026 and 31/12/2027 respectively). • In case of company dissolution, the profits of the last 5 years, to the extent that they were created during years up to the year 2025, and which have not been distributed or deemed as distributed, are deemed to be distributed upon dissolution. <p>The applicable SDC rate is 17%.</p>	<p>Previously, a Cyprus tax resident company was deemed to distribute at least 70% of its accounting profits after two years from the end of the year in which the profits were created. The SDC rate was 17%.</p>
<p>KT & Co Highlights: <i>The deemed dividend distribution provisions are abolished. Transitional rules apply for the profits of the years 2024 and 2025.</i></p>		
Alternative way of imposing SDC	<p>Non-domicile individuals are exempt from SDC until they complete 17 years out of the last 20 years prior to the tax year of assessment, as tax resident of Cyprus.</p> <p>Under the amending law, individuals who complete the 17-year period, can elect to make an upfront payment of EUR250.000 and extend their SDC exemption for a 5-year period. This applies only if the individual has a domicile of origin outside Cyprus.</p> <p>The individual can elect this special mode of taxation for up to two 5-year periods.</p> <p>Application for this special mode of taxation must be submitted to the Tax Department until 30/06 of the first year of the 5-year period.</p>	<p>After the lapse of the 17-year period, individuals were treated as domicile and subject to SDC normally.</p>

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	The above election is irrevocable, and any amounts paid shall not be refunded by the Tax Department.	
KT & Co Highlights: <i>Non-domicile individuals who complete 17 years as tax residents of Cyprus and become domicile, can now elect to make an upfront payment of EUR250.000 instead of paying SDC on their interest and dividends for a 5-year period, which can be extended to another 5-year period.</i>		
SDC on rental income	Rental income is no longer subject to SDC.	Previously, 75% of rental income was subject to SDC at the rate of 3%.
KT & Co Highlights: <i>Rental income is now exempt from SDC and taxable only under income tax, thus eliminating double taxation.</i>		
Payment deadlines for overseas	SDC on interest or dividends received from sources outside Cyprus is payable by the deadline for submission of the taxpayer's income tax return.	SDC on interest or dividends received from sources outside Cyprus was previously payable semi-annually i.e. by 31/07 for income of the 1st semester and by 31/01 for income of the 2nd semester.
KT & Co Highlights: <i>SDC payment deadlines are now aligned with the deadline for submission of income tax returns and payment of income tax liabilities.</i>		
General Anti-Abuse Rules (GAAR)	GAAR provisions have been introduced in the SDC law allowing the Tax Department to disregard non-genuine transactions put in place primarily for obtaining a tax advantage.	Not applicable.
KT & Co Highlights: <i>This amendment strengthens the position of the Tax Department and allows to disregard non-genuine transactions which have been put in place primarily for obtaining a tax advantage.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Penalties for non-compliance	<p>Penalties for non-compliance with reporting, filing, provision of information and payment obligations range between EUR500 to EUR4.000.</p> <p>A 5% monetary charge applies on the SDC liability if this is not paid by the due date. An additional 5% monetary charge shall apply if non-payment within 2 months from the due date.</p>	<p>Penalties for non-compliance with reporting, filing, provision of information and payment obligations range between EUR100 to EUR200.</p> <p>A 5% monetary charge applies on the SDC liability if this is not paid by the due date.</p>
KT & Co Highlights: <i>Penalties for non-compliance have increased.</i>		
Obligation for preparation and submission of income tax returns	<i>Cyprus tax resident individuals</i>	<p>Previously, registration was only required when income within Article 5 ITL was earned. There was no age-based obligation. Deadline for submission of income tax return by persons who have obligation to keep accounting books and records has been revised to 31 January of the year following the relevant tax year.</p>
	<p>Are required to prepare and submit their income tax return (by 31 of July of the year following the relevant tax year or by 31 January of the year following the relevant tax year if they have obligation for preparation of books and records) if:</p> <ul style="list-style-type: none"> - They have reached the age of 25 (up to 71 years old) or - They have taxable income 	
	<i>Companies incorporated in Cyprus</i>	
	<p>Are required to prepare and submit their income tax return in Cyprus by 31 January of the year following the relevant tax year, irrespective of whether they have income which is subject to taxation in Cyprus.</p>	

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
	<p><i>Companies which were not incorporated in Cyprus</i></p> <p>but have taxable income in accordance with the relevant provisions of the Cyprus Income Tax Law are required to prepare and submit their income tax return in Cyprus by 31 January of the year following the relevant tax year</p>	
KT & Co Highlights: <i>Introduction of a universal taxpayer identification regime.</i>		

3. Capital Gains Tax (Amending) (No.3) Law 2025 (242(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Property Rich Companies	The threshold in the definition of what constitutes “property” in respect to holdings in shares in companies which own immovable property in Cyprus through other companies is changed to 20%.	The threshold of what constituted a Property Rich Company was 50%.
KT & Co Highlights: <i>Possible issues when there are cross-border transactions since the threshold in respect to the Property Rich clause is set at 50% in most of the double tax treaties.</i>		
Lifetime Exemption thresholds	<p>The thresholds for lifetime exemptions are changed to:</p> <p>General Exemption – EUR30.000</p> <p>Agricultural land Exemption – EUR50.000</p> <p>Primary Residence Exemption – EUR150.000</p>	<p>The thresholds for lifetime exemptions were previously:</p> <p>General Exemption – EUR17.086</p> <p>Agricultural land Exemption – EUR25.629</p> <p>Primary Residence Exemption – EUR85.430</p>
KT & Co Highlights: <i>These amendments better reflect the current market conditions.</i>		

4. Assessment and Collection of Taxes (Amending) (No.2) Law 2025 (243(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Obligation for preparation and submission of income tax returns	<i>Cyprus tax resident individuals</i>	Previously, registration was required only when income within Article 5 of the ITL was earned. There was no age-based obligation. Deadline for submission of income tax return by persons who have obligation to keep accounting books and records has been revised to 31 January of the year following the year after the relevant tax year.
	Are required to prepare and submit their income tax return (by 31 of July of the year following the relevant tax year or by 31 January of the year following the year after the relevant tax year if they have obligation for preparation of books and records) if: <ul style="list-style-type: none"> • They have reached the age of 25 (up to 71 years old) or • They have taxable income 	
	<i>Companies incorporated in Cyprus</i>	
	Are required to prepare and submit their income tax return in Cyprus by 31 January of the year following the year after the relevant tax year, irrespective to whether they have income which is subject to taxation in Cyprus.	
	<i>Companies which were not incorporated in Cyprus</i>	
	but have taxable income in accordance with the relevant provisions of the Cyprus Income Tax Law are required to prepare and submit their income tax return in Cyprus by 31 January of the year following the year after the relevant tax year.	
KT & Co Highlights: <i>Introduction of a universal taxpayer identification regime.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Obligation for preparation and submission of employer's tax return	Submission of employer's tax return is on the 31 March of the year following the relevant tax year.	The relevant deadline was by the end of February with the possibility of an extension by 3 months in case the return was submitted electronically
KT & Co Highlights: <i>The deadline for the preparation and submission of the employer's return is simplified by defining only a single date as the deadline for submission of the aforementioned return.</i>		
Record keeping	<p>Records shall be kept for a period of 6 years from the deadline of submission of the income tax return or the actual date of submission of the income tax return or the revised income tax return, whichever date is later.</p> <p>In case of a tax examination the document retention period is extended until the earliest of (a) the completion of the audit or (b) one year from the lapse of the initiation of the tax examination.</p>	Limitation period was anchored to 6 years from the end of the relevant year.
KT & Co Highlights: <i>This is a meaningful extension in practice where filings are delayed or revised late: the "clock" effectively runs from filing/revision, not year-end.</i>		
Partnership/co-venture returns (incl. funds structures)	Income of joint businesses/partnerships is attributed to partners and included in their returns. Includes specific provision that for certain regulated investment structures (e.g. AIF/UCITS-type arrangements), filing is undertaken by the external manager/general partner/management company as applicable.	Older partnership return mechanics existed but without modernised references and specific provisions for regulated fund structures/managers.
KT & Co Highlights: <i>Practical clarity for funds/manager-led filings and reduces uncertainty on who is responsible for submitting partnership-level tax returns/information.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Partnership/ co-venture returns (incl. funds structures)	Income of joint businesses/partnerships is attributed to partners and included in their returns. Includes specific provision that for certain regulated investment structures (e.g. AIF/UCITS-type arrangements), filing is undertaken by the external manager/general partner/management company as applicable.	Older partnership return mechanics existed but without modernised references and specific provisions for regulated fund structures/managers.
KT & Co Highlights: <i>Practical clarity for funds/manager-led filings and reduces uncertainty on who is responsible for submitting partnership-level tax returns/information.</i>		
Objection on tax assessments issued	An objection (either electronic or written) should be filed to the Cyprus Tax Authorities within 60 days from the date when the assessment is served.	An objection should have been filed by the end of the month following the month that the assessment was served.
KT & Co Highlights: <i>Strong practical effect: deadline becomes clearer (60 days) and the law formally supports electronic workflow.</i>		
Statute of Limitation	The Commissioner of Taxation has the right to issue a tax assessment within the tax year or within a period of 6 years from the deadline of the actual submission of the income tax return or the date of the submission of the income tax return or the revised income tax return, whichever date is later.	Limitation period was anchored to 6 years from the end of the relevant year.
KT & Co Highlights: <i>This is a meaningful extension in practice where filings are delayed or revised late: the “clock” effectively runs from filing/revision, not year-end.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Obligation for individuals to submit audited/ reviewed financial statements	An individual who receives annual income from trade/business, dividends, interest, rents, royalties or income relating to trading goodwill of more than EUR120.000 is obliged to prepare audited or reviewed accounts.	The threshold was EUR70.000.
KT & Co Highlights: <i>Higher threshold reduces burden for smaller taxpayers.</i>		
Suspension of business operations / sealing premises	Introduces power to suspend operations and seal business premises where a business fails to file at least two income tax returns, or at least twelve monthly employer returns, or at least three VAT returns (as applicable), following staged notices and deadlines (minimum 10 days each stage).	No explicit “seal premises / suspend operations” mechanism
KT & Co Highlights: <i>Very high enforcement impact. Businesses with repeated filing failures face operational disruption risk, not only financial penalties.</i>		
Late payment interest rate	Sets interest start dates from FY2026 onwards based on filing deadlines (e.g. from 1 August where deadline is 31 July; from 1 February where deadline is 31 January).	Interest rates were applied differently.
KT & Co Highlights: <i>Improves certainty on interest accrual.</i>		

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Mandatory rent payments via banking/ electronic means	Requires rent for immovable property in Cyprus to be paid only via bank transfer/card/recognised electronic means; beneficiary must not accept rent by other means	No statutory restriction.
KT & Co Highlights: <i>Increases transparency and documentation requirements. This is applicable from 01/07/2026.</i>		
Monetary charges for late filing	Individual: EUR150 Legal person with more than EUR1mln revenue or assets: EUR500 Legal person with less than EUR1mln revenue or assets: EUR250	Flat EUR100 monetary charge
KT & Co Highlights: <i>Strengthens deterrence.</i>		

5. Stamp Duties (Repeal) Law 2025 (239(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Abolishment of the law	Relevant Law has been abolition from 1 January 2026.	Stamp duty applied on certain documents under the Stamp Duties Laws 1963–2025 (rates/charge depended on document type and amount).
KT & Co Highlights: <i>From 1 January 2026, stamp duty should no longer apply to documents that previously fell within the Stamp Duties Law. As per relevant announcement issued on 9 January 2026, documents which were signed up to 31 December 2025 (even in cases where a counterparty signed the document before 31 December 2025 whilst the other counterparty signed the document within 2026) are subject to stamp duty.</i>		

6. Collection of Taxes (Amending) (No.2) Law 2025 (241(I)/2025)

Description	Amendments (Official Gazette – 31/12/2025)	Previously applicable position (principal law, pre-amendment)
Blocking/ encumbrance on a taxpayer's shares	<p>The Tax Commissioner may block any ownership interest in shares of legal entities up to a value of double the tax due plus interest and surcharges.</p> <p>Applies where a person refuses/omits /delays/neglects to pay tax due exceeding EUR100.000 for more than 30 calendar days after it becomes payable (does not apply in case there are open objections / disputes, agreement for the payment of taxes by instalments, waivers or insurance for the payment of taxes)</p>	Not applicable.
KT & Co Highlights: <i>This introduces a powerful recovery tool—effectively a transfer restriction on shares—which can materially affect mergers, acquisitions, restructurings, share transfers and financing where shares are pledged/expected to move.</i>		

LET'S TALK



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