



**K. TREPPIDES
& CO LTD**

Direct Taxation

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List of Low-Tax Jurisdictions for the year 2026

We would like to inform you that the Cyprus Tax Department has published a list of jurisdictions which are treated as low-tax jurisdictions (LTJs) for the year 2026.

As from 01/01/2026, where a Cyprus Company pays dividend, interest or royalties to associated companies in LTJs, the following is applicable:

- **Dividends:** 5% withholding tax (WHT) but if there is a Double Tax Agreement (DTA) the provisions of the DTA should prevail and a reduced WHT should apply
- **Interest:** No WHT but Cyprus Company is not allowed to claim the interest expense as a tax deduction
- **Royalties:** No WHT but Cyprus Company is not allowed to claim the royalty expense as a tax deduction

The following jurisdictions are included in the LTJ list for the year 2026:

Anguilla*

Bahamas

Bahrain

Bermuda

British Virgin Islands

Cayman Islands

Guernsey

Isle of Man

Jersey

Turks and Caicos Islands

Vanuatu*

* Since Anguilla and Vanuatu are also included in the EU list of blacklisted jurisdictions (BLJs) of the prior calendar year, then, for the year 2026, if they remain in the list at the time of the transaction, the BLJ provisions should apply instead of the LTJ provisions. In such case, the following is applicable:

- **Dividends:** 17% WHT but if there is a DTA the provisions of the DTA should prevail and a reduced WHT should apply
- **Interest:** 17% WHT but if there is a DTA the provisions of the DTA should prevail and a reduced WHT should apply
- **Royalties:** 10% WHT but if there is a DTA the provisions of the DTA should prevail and a reduced WHT should apply

The law provides a detailed definition of associated entities based on a 50% relationship test i.e., the company receiving the income has a direct or indirect

relationship with the Cyprus Company which makes the payment exceeding 50%, either alone or together with other related persons.

Anti-abuse clause

The Council of Ministers has also issued decrees on how to apply anti-abuse rules to counteract arrangements which have been put in place with the purpose of circumventing the above measures.

As per the decrees, every Cyprus Company paying dividend, interest or royalty expense to an associated entity for which the BLJ or LTJ provisions have not been applied (i.e., because the recipient is in a non-BLJ / non-LTJ), should maintain for a period of at least 6 years supporting documentation about the recipient company to prove that:

1. At least 1 board member has the qualifications and authority to take decisions regarding the activities, assets or rights that generate the income of the entity, and is actively and independently exercising his/her duties.
2. At least 1 board member that takes decisions is resident in the jurisdiction in which the recipient entity is resident for tax purposes (or within a distance which allows him/her to travel on a daily basis).
3. It has at its disposal office premises, in which its directors and employees exercise their duties, in the jurisdiction in which the recipient entity is resident for tax purposes.
4. The majority of the board meetings are performed in the jurisdiction in which the recipient entity is resident for tax purposes.

5. Its operating expenses (including the remuneration of directors and staff costs) which are paid to persons within the jurisdiction in which the recipient entity is resident for tax purposes, are proportionate to its activities.
6. The group of companies to which the recipient entity is a member, is not structured in a way that the recipient entity has as its only activity the collection of interest income, dividend income or royalty income and the transfer of such income wholly or partly, to another related entity shortly after the receipt of the income, with the result of making only an immaterial taxable profit in order to enable the flow of capital to the beneficial owner.

In case the recipient entity does not meet 2 or more of the above-mentioned criteria, the BLJ / LTJ provisions will apply on the dividends, interest or royalties, unless the taxpayer proves that the arrangement was put in place for valid commercial reasons that reflect economic reality, or that the obtaining of a tax advantage was not the sole purpose of the arrangement.

The above anti-abuse rules and documentation requirements do not apply where the dividends, interest or royalties are paid to an entity which:

- Is a tax resident of Cyprus
- Is a tax resident in another EU or EEA Member State
- Is subject to a 15% global minimum tax according to the Pillar II GloBE rules or
- Is a member of a consolidated group for accounting purposes that does not have a presence in a blacklisted jurisdiction, through either a company or a permanent establishment.

For any further information and/or clarifications required, please do not hesitate to contact us.



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