



# Tax Agenda Cyprus

February 2025

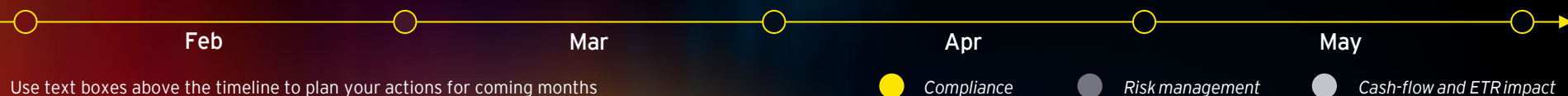




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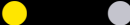
No.	Fact	Action
1	<p><b>Cyprus introduces Global Minimum Tax for Multinational enterprise (MNE) groups and large-scale domestic groups</b></p> <p>On 12 December 2024, the Cyprus House of Representatives voted to transpose into law Council Directive (EU) 2022/2523 of 14 December 2022 (Pillar Two Directive) to ensure a global minimum level of taxation for MNE groups and large domestic groups in the Union (the Law).</p> <p>The Law introduces an Income Inclusion Rule (IIR) for the financial years starting from 31 December 2023 in line with the Pillar Two Directive. A Domestic Minimum Top-Up Tax (DMTT) and an Undertaxed Profits Rule (UTPR) are also introduced for financial years starting from 31 December 2024.</p> <p>Cyprus has also consented to all safe harbors, including the Transitional CbCR Safe Harbor as well as a Transitional UTPR Safe Harbor.</p> <p>New compliance and filing requirements are introduced for reporting and collecting the Top-up Tax under the DMTT, IIR and UTPR.</p> <p><b>Read more:</b> <a href="#">Cyprus introduces Global Minimum Tax for MNE groups and large-scale domestic groups</a></p>	<p>Taxpayers affected by the new legislation should ensure compliance with the new legislation and ensure they make all relevant filing within the appropriate timeframes.</p> <div> <span>●</span> <span>●</span> <span>●</span> </div>
2	<p><b>Extension of the deadline for the submission of the 2022 and 2023 Income Tax Returns for taxpayers with a Summary Information Table reporting obligation</b></p> <p>The extension of the deadline for the submission of the 2022 Income Tax Return (Form TD4) until the 28 February 2025, and for the 2023 TD4 until 30 November 2025. The extension is available only for persons who have an obligation to submit a Summary Information Table. The summary information table should reflect high-level information about the taxpayer's annual intercompany transactions, including details of the counterparties, of intercompany transactions entered into, and amount per transaction category.</p> <p><b>Read more:</b> <a href="#">TaxLegi 31.10.2024   EY - Cyprus</a></p>	<p>Submission of the 2022 and 2023 Income Tax Returns (Form TD4) by 28 February 2025 and 30 November 2025 respectively for taxpayers with an obligation to submit a Summary Information Table.</p> <div> <span>●</span> <span>●</span> <span>●</span> </div>



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3	<p><b>Cyprus increases Capital Allowances for Green Expenditures</b></p> <p>Cyprus has extended capital allowances for capital expenditures incurred in the following areas for tax years 2023 to 2026:</p> <ul style="list-style-type: none"> <li>Expenditure incurred for enhancing energy efficiency of buildings is eligible for a 7% allowance (previously, 3%)</li> <li>Expenditure incurred for technical systems aimed at improving energy efficiency of buildings, renewable energy systems and electric energy storage systems (such as batteries) is eligible for a 20% allowance (previously, 10%)</li> <li>Expenditure incurred for the purchase of electric vehicles is eligible for a 33.3% allowance (previously, 20%)</li> </ul>	<p>Taxpayers should be aware of these increased capital allowances.</p> 
	<p><b>Transfer pricing (TP)</b></p> <p>Cyprus introduced transfer pricing rules and documentation requirements effective as of 1 January 2022. The legislation is broadly in line with The Organisation for Economic Co-operation and Development (OECD) TP Guidelines and requires domestic and cross-border intra-group transactions to be documented for Cypriot TP purposes. The TP documentation files include a Local and Master file as well as the Summary Information Table.</p> <p>On 1 February 2024, the Tax Department issued revised thresholds relating to taxpayers' obligation to prepare a Cyprus Local File for transactions falling within the ambit of Section 33 of the Income Tax Law (ITL) (i.e., intercompany transactions). The revised thresholds are applicable for the tax year 2022.</p> <p>On 24 September 2024, the tax authorities have published additional frequently asked questions (FAQs) on their website, regarding transfer pricing. These FAQs provide further guidance to taxpayers on complying with TP requirements and procedures for the completion of the summary information table, the use of safe harbour and simplified TP documentation.</p> <p>With respect to the Summary Information Table, an e-mail account (<a href="mailto:tpqueries@icpac.org.cy">tpqueries@icpac.org.cy</a>) has been created by the Institute of Certified Public Accountants of Cyprus to which taxpayers can send written comments, questions and queries in relation to the completion and submission of the Summary Information Table. These questions/answers will be grouped together and posted in the form of FAQs on the tax department's website.</p> <p>Read more: <a href="#">Cyprus tax authorities issue revised thresholds for transfer pricing documentation (ey.com)</a></p>	<p>Develop a thorough understanding of the new TP documentation rules and assessment of the impact of the new transfer pricing requirement for your group. Taxpayers considering to apply any of the simplification measures should ensure the eligibility and application of such measures, while adequate documentation should be maintained to ensure their compliance.</p> <p>Taxpayers should be aware of the new submission deadlines for years 2022 and 2023 and work closely with their tax advisors in ensuring compliance with the relevant transfer pricing documentation and reporting obligations.</p> 



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	<p><b>Cyprus Tax Department provides clarifications and guidance regarding the reorganisation of companies</b></p> <p>On 5 November 2024, the Cypriot Tax Department issued a Circular (05/2024), which provides important clarifications and guidance regarding the reorganisation of companies (Part VI of the Income Tax Law).</p>	<p>We encourage all clients involved in or considering a company reorganization to review these provisions carefully and ensure timely submission of the necessary applications required by the Tax Authorities, to benefit from the available tax exemptions for approved reorganisations.</p>
5	<p>Companies that have undergone reorganization without obtaining approval from the Tax Authorities (via the submission of form TD88 for approved reorganization and tax exemption) should consider submitting such application before the transitional deadline of 30 June 2025. This will ensure that the reorganization is not viewed as “non-approved” and that any taxes arising from the reorganization are eligible for tax exemptions.</p> <p>Read more: <a href="#">TaxLegi 30.11.2024   EY - Global</a></p>	
6	<p><b>Green Taxes updates</b></p> <p>As part of the Cyprus green taxation reform, a number of environmental taxes will be implemented:</p> <ul style="list-style-type: none"> <li>▪ Tourism tax</li> <li>▪ Carbon tax on transport</li> <li>▪ Carbon tax on production</li> <li>▪ Water tax</li> <li>▪ Landfill tax</li> </ul> <p>The above measures announced are subject to consultation and are expected to be implemented by the end of the calendar year.</p>	<p>Businesses (and citizens) should monitor the legislative proposals of such new green taxes and understand their impact as well as any compliance obligations.</p> 
7	<p><b>VAT in the digital age package (ViDA) adopted</b></p> <p>On 05 November 2024, at the Economic and Financial Affairs Council (ECOFIN) meeting, the EU Member States finally managed to reach an agreement regarding the “VAT in the Digital Age” (ViDA) package. ViDA introduces new measures on three pillars, namely (1) digital real-time reporting based on e-invoicing, (2) platform economy (including deemed supplier rules for short-term accommodation rentals and passenger transportation) and (3) single EU registration (including expansion of One Stop Shop (OSS)).</p> <p>Ream more: <a href="#">TaxLegi 30.11.2024   EY - Global</a></p>	<p>Businesses should be aware of these changes.</p> 
8	<p><b>FUEL EU Pooling Mechanism:</b></p> <p>The FuelEU Maritime, which aims to reduce the greenhouse gases (GHG) emissions from the shipping sector covering vessels over 5000 gross tonnage (GT) calling the European Economic Area (EEA) ports, will be applicable from January 2025.</p> <p>Ream more: <a href="#">TaxLegi 30.11.2024   EY - Global</a></p>	<p>Businesses should prepare for these changes.</p> 

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9	<p><b>Exemption of natural persons from the obligation to submit a personal income tax return for the year 2024</b></p> <p>On 15 November 2024, the Council of Ministers issued a decree (No.384/2024) exempting natural persons, whose total gross income is below €19.500, from the obligation to submit a personal income tax return (Form T.D.1) for the tax year 2024.</p> <p>Read more: <a href="#">TaxLegi 30.11.2024</a>   <a href="#">EY - Global</a></p>	<p>Taxpayers which fall below the relevant threshold should be aware of this exemption.</p> 
10	<p><b>Default Interest Rate increases to 5.5%</b></p> <p>As of 1 January 2025, the default interest rate was set to 5,50%, (5% in 2024). The default interest rate, applies to payable or refundable tax amounts arising for taxpayers.</p> <p>Read more: <a href="#">Tax Department</a>   <a href="#">Default Interest</a></p>	<p>Businesses should consider the revised interest rate upon making a payment to the tax authorities.</p> 

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