

Tax Agenda Cyprus

April 2025



Shape the future
with confidence



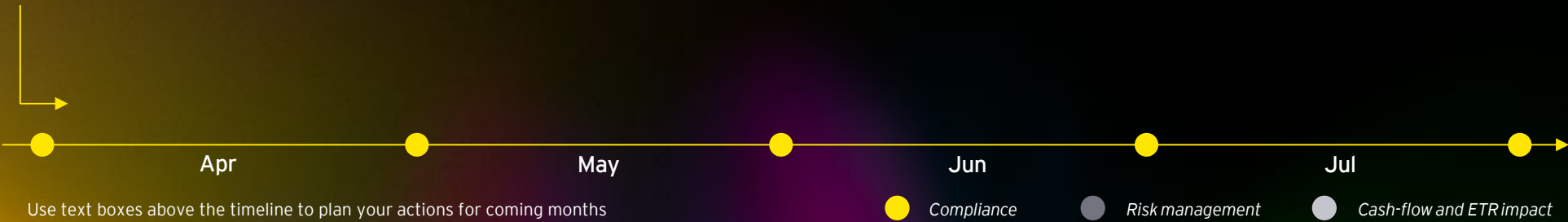
The better the question. The better the answer. The better the world works.



No.

Fact





Action




1	<p>Tax Reform update</p> <p>The Economics Research Centre of the University of Cyprus presented its blueprint for tax reform to key stakeholders, including members of the business community, business associations and professional bodies. This proposal is expected to undergo thorough scrutiny by the Ministry of Finance, which will subsequently submit it to the Council of Ministers for approval before the draft bills are filed with the House of Representatives (HoR). It is anticipated that the Finance Committee of the HoR will evaluate the draft bills prior to their presentation to the plenary for voting. These new laws are envisaged to start taking effect as of the tax year 2025 with full effect as of tax year 2026.</p> <p>Read more: Tax Reform Update</p>	<p>Taxpayers should -closely monitor the tax reform process and remain aware of any changes that may impact their business operations and tax approaches.</p>	<div><div></div><div></div><div></div></div>
2	<p>Cyprus Tax Authority publishes 10-year government bond yield rates for Notional Interest Deduction purposes</p> <p>On 14 February 2025, the Cypriot Tax Department issued an announcement that lists the 10-year government bond yield rates as of 31 December 2024 for a number of countries with respect to the Notional Interest Deduction (NID) on equity. These yield rates should be used to determine the reference interest rate for claiming NID for the 2025 tax year.</p> <p>Read more: Cyprus Tax Authority publishes 10-year government bond yield rates for Notional Interest Deduction purposes</p>	<p>Taxpayers should be aware of the updated reference rates as these impact the determination of the taxable income for 2025.</p>	<div><div></div><div></div><div></div></div>



No.	Fact	Action
3	<p>Cyprus introduces Global Minimum Tax for MNE groups and large-scale domestic groups</p> <p>On 12 December 2024, the Cyprus House of Representative 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 multinational enterprise 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 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><u>Read more: Cyprus introduces Global Minimum Tax for MNE groups and large-scale domestic groups</u></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> 
4	<p>Cyprus increases Capital Allowances for Green Expenditures</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"> Expenditure incurred for enhancing energy efficiency of buildings is eligible for a 7% allowance (previously, 3%) 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%) Expenditure incurred for the purchase of electric vehicles is eligible for a 33.3% allowance (previously, 20%) 	<p>Taxpayers should be aware of these increased capital allowances.</p> 

No.	Fact	Action
5	<p>Transfer pricing (TP)</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 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 harbours and simplified TP documentation.</p> <p>With respect to the Summary Information Table, an e-mail account (tpqueries@icpac.org.cy) 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: Cyprus tax authorities issue revised thresholds for transfer pricing documentation (ey.com)</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>
6	<p>Grace period for the submission of the Income Tax Return (TD4) and Summary Information Table (SIT) for the tax year 2022</p> <p>On 12 February 2025, the Tax Department issued an announcement informing taxpayers that no penalties will be imposed for late filing of the (TD4) and SIT submission for tax year 2022 provided that such filing is made no longer than 31 May 2025. For any submissions after 31 May 2025, the following penalties shall apply:</p> <ul style="list-style-type: none"> ▪ EUR500 for late submission of the SIT for the tax year 2022 ▪ EUR100 for late submission of TD4 for the tax year 2022. <p>On 13 February 2025, the Tax Department issued an announcement stating that no penalties will be imposed for late submission of tax returns for the tax year 2022 for companies and self-employed individuals who have an obligation to prepare financial statements as per the Assessment and Collection of Taxes Law, provided that the tax returns are submitted not later than 31 May 2025. If a tax return is submitted after 31 May 2025, there will be a fixed monetary charge of EUR100.</p> <p>Read more: EY Tax Alert & TaxLegi 28.02.2025 EY - Global</p>	<p>Taxpayers should proceed with the filing of the Income Tax Return (TD4) and SIT for tax year 2022 by 31 May 2025.</p>

No.	Fact	Action
	<p>Cyprus Tax Department provides clarifications and guidance regarding the reorganisation of companies</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>
7	<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: TaxLegi 30.11.2024 EY - Global</p>	
8	<p>Green Taxes updates</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"> ▪ Tourism tax ▪ Carbon tax on transport ▪ Carbon tax on production ▪ Water tax ▪ Landfill tax <p>The above measures announced are subject to consultation and are expected to be implemented during 2025.</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> 
9	<p>FUEL EU Pooling Mechanism:</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>Read more: TaxLegi 30.11.2024 EY - Global</p>	<p>Businesses should prepare for these changes.</p> 
10	<p>Default Interest Rate increases to 5.5%</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: Tax Department Default Interest</p>	<p>Businesses should consider the revised interest rate upon making a payment to the tax authorities.</p> 

No.	Fact	Action
11	<p>Submission of Withholding Taxes & Contributions (Employer's) Return (Form TD7) through the The Tax For All (TFA) platform</p> <p>The system will be updated to accept the submission of the Withholding Taxes & Contributions (Employer's) Return (Form TD7) and the remittance of the withheld taxes and contributions. Until the completion of the process, the following applies:</p> <ul style="list-style-type: none"> ▪ The submission of the TD7 Form up until the year 2023 (inclusive) will be done through the TAXISnet system. ▪ The monthly payments of withheld taxes and contributions for the years 2023, 2024, and 2025 will be made through the Tax Portal. <p>Once the process is finalised and the submission of Form TD7 can be made through the TFA system, the following will apply:</p> <ul style="list-style-type: none"> ▪ Both the submission of the Form TD7 and the remittance of the withheld taxes and contributions will be made exclusively through the TFA system. ▪ As of the year 2025 onwards, Form TD7 will need to be submitted on a monthly basis. ▪ All monthly Form TD7 for 2025 (as of January 2025) must be submitted in the TFA system, including those for which taxes and contributions are paid through the Tax Portal. ▪ In order for the monthly Form TD7 to be submitted, all the employees should have a Tax Identification Number (TIN) in place. <p>Further announcements are expected from the Tax Department.</p> <p>Read more: TaxLegi 30.01.2025 EY - Global</p>	<p>Businesses should be aware of these changes.</p> 
12	<p>Change in Intrastat thresholds for 2025</p> <p>The Cyprus Tax Authorities have allowed for a new higher intra-acquisition of goods threshold for the year 2025, currently standing at 350,000EUR. The intra-community deliveries and Intrastat simplification thresholds have remained the same.</p> <p>Read more: Tax Department INTRASTAT</p>	<p>Businesses with intra-community acquisitions of goods should check if the increased threshold can be exploited by the business.</p> 
13	<p>Tax treatment for associated balances for which collection is difficult due to sanctions and restrictions</p> <p>On 13 February 2025, the Tax Department issued a circular (1/2025) providing guidance as to the tax treatment of loan and other receivables for which taxpayers face difficulties collecting because of the sanctions and restrictions imposed in relation to the Russian/Ukrainian conflict.</p>	<p>Taxpayers are encouraged to consider the relevant circular to determine the tax treatment and other implications associated with balances for which collection is difficult due to the sanctions and restrictions imposed on Russia.</p> 

Contacts:

Philippos Raptopoulos

Partner, Head of Tax
and Legal Services,
EY Cyprus Advisory Services Limited
philippos.raptopoulos@cy.ey.com

Petros Krasaris

Partner, International Tax
and Transaction Services
MDR Country Leader
EY Cyprus Advisory Services Limited
petros.p.krasaris@cy.ey.com

Petros Liassides

Partner, Direct Tax Services
EY Cyprus Advisory Services Limited
petros.liassides@cy.ey.com

George Liasis

Partner, Indirect Tax Services
EY Cyprus Advisory Services Limited
george.liasis@cy.ey.com

Christos Tooulas

Partner, Global Compliance &
Reporting
EY Cyprus Advisory Services Limited
christos.tooulas@cy.ey.com

Christoforos Socratous

Partner, Global Compliance
& Reporting
EY Cyprus Advisory Services Limited
christoforos.socratous@cy.ey.com

Charalambos Palaontas

Partner, Transfer Pricing Services
EY Cyprus Advisory Services Limited
charalambos.palaontas@cy.ey.com

Myria Saparilla

Partner, Direct Tax Services
EY Cyprus Advisory Services Limited
myria.saparilla@cy.ey.com

Panayiotis Thrasyvoulou

Partner, Head of People Advisory
Services
EY Cyprus Advisory Services Limited
panayiotis.thrasyvoulou@cy.ey.com

Anna Papamichael

Partner, Direct Tax Services
EY Cyprus Advisory Services Limited
anna.papamichael@cy.ey.com

Andria Koukounis

Partner, Head of Financial Services,
Funds and Capital Markets
Koukounis, Karaolis LLC
andria.koukounis@cylaw.ey.com

Panayiotis Tziongouros

Partner, International Tax and
Transaction Services
EY Cyprus Advisory Services Limited
panayiotis.tziongouros@cy.ey.com

Eleni Sofocleous

Partner, Direct Tax Services
EY Cyprus Advisory Services Limited
eleni.sofocleous@cy.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data, and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

For more information about our organization, please visit ey.com.

© 2025 EYGM Limited.
EYG no. 002461-25Gbl
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal, or other professional advice. Please refer to your advisors for specific advice.

ey.com