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Cyprus Tax Reform and Law Tax Jurisdiction

November 2025

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Cyprus Tax Reform – What is Changing

PRESENTATION BY
Costas Savva

November 2025

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TAX REFORM – DO WE NEED ONE?

- An old tax is a good tax? Adam Smith (philosopher and economist)
- **What purposes does the reform serve?**
  - Addressing fragmentation and inconsistencies in policy
  - Eliminating lack of uniformity
  - Correcting international Deficiencies
  - Improving poor drafting and structural weaknesses
  - Removing repetition and overlap
  - Attracting investment through targeted incentives

COMPANIES - ITL

- Tax rate from 12.5% to 15%
- Crypto assets special tax regime 8% (any losses cannot be carried forward)
- Losses can be carried forward for 7 years instead of 5
- Research and development (R&D) expenses relating to intangible assets incurred between 2025 and 2030 qualify for an additional 20% wear-and-tear allowance (on a selective basis).
- Allowable deduction for an expense relating to the initial listing of its shares on a recognized stock exchange (up to EUR300,000)

COMPANIES - ITL

- Stock options will be taxed at 8% (the scheme must be approved, and the benefit must not exceed the EUR1,000,000 in a 10 years period)
- Transfer Pricing Thresholds adjusted to:
  - (a) Financial Transactions EUR10m
  - (b) sale of goods EUR5m
  - (c) other transactions EUR2,5m
- Ex-gratia lump-sum payments made by an employer are taxed at a flat 20%, with the first €200,000 tax-free when the payment relates to termination of employment.

COMPANIES - ITL

- From 2031 and onwards the gain from the redemption of a unit or share in an open- or closed-ended collective investment scheme is treated as a dividend.
- Interest expense for the acquisition of a 100% subsidiary will not be allowed (grandfathering period will be provided).
- Such interest expense will not be allowed if the subsidiary is in a black-listed jurisdiction.
- Profits from PE's establishment in a black-listed jurisdiction will not be exempt.

COMPANIES - SDC

- Deemed Dividend distribution will be abolished for profits after 2026
- SDC on dividends will be reduced from 17% to 5%
- SDC on rental income is abolished
- 5% WHT on dividends paid to a low-tax jurisdiction and 17% to a black-listed jurisdiction
- Anti-avoidance measures are introduced for **constructive dividends** (hidden dividend) distributions, which will be subject to a 10% Special Defence Contribution.

INDIVIDUALS - ITL

Taxable Income	Tax Rates
€0 - €20.500	0%
€20.501 - €30.000	20%
€30.001 - €40.000	25%
€40.001 - €80.000	30%
€80.001 και άνω	35%

INDIVIDUALS - ITL

In cases where the annual family income (spouses/partners) is less than €80,000, or less than €100,000 for families with four or more children, or less than €40,000 for a single individual, each spouse or partner is granted the following tax deductions:

(a) €1,000 for each child (single-parent families fall under the more favourable scenario, i.e., a €2,000 deduction per child)

(b) €1,000 for each student,

(c) Up to €1,500 for interest on a serviced loan for the purchase of a primary residence or for the rental of a primary residence,

(d) Up to €1,000 for the energy upgrade of the primary residence or for the purchase of a new electric vehicle.

INDIVIDUALS - SDC

- An alternative method of taxation is introduced for non-domiciled individuals after completing 17 years of residence in Cyprus, for a period of 5 plus an additional 5 years, through the payment of a lump sum of €250,000 for each five-year period.

- Deemed Dividend distribution will be abolished for profits after 2026

- SDC on dividends will be reduced from 17% to 5%

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Principles of a good tax
Assessing our taxation choices

How we tax has a big impact on our society.

November 2025

PRESENTATION BY
Demis Ioannou

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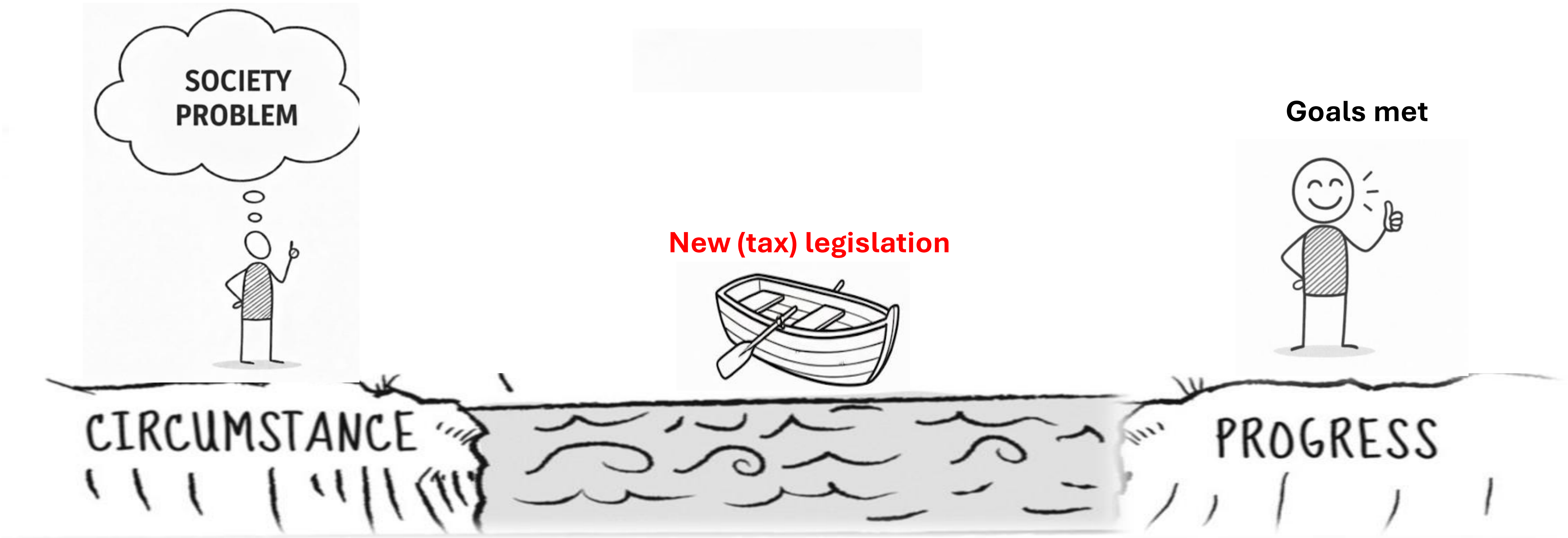
WHAT IS A TAX REFORM?

- 1. Is it just a series of laws relating to taxes?

- 2. But what is a law? Is it just connected words that carry normative meaning?

- 3. Or is it something bigger? Policy? From the ancient Greek word “Polis”.

1. LEGAL (TAX) METHODOLOGY



Principle 1

Equity

Principle 2

Simple

Principle 3

Efficient

Principle 1

To become Equitable

Principle 2

To become Simpler

Principle 3

To be come Efficient

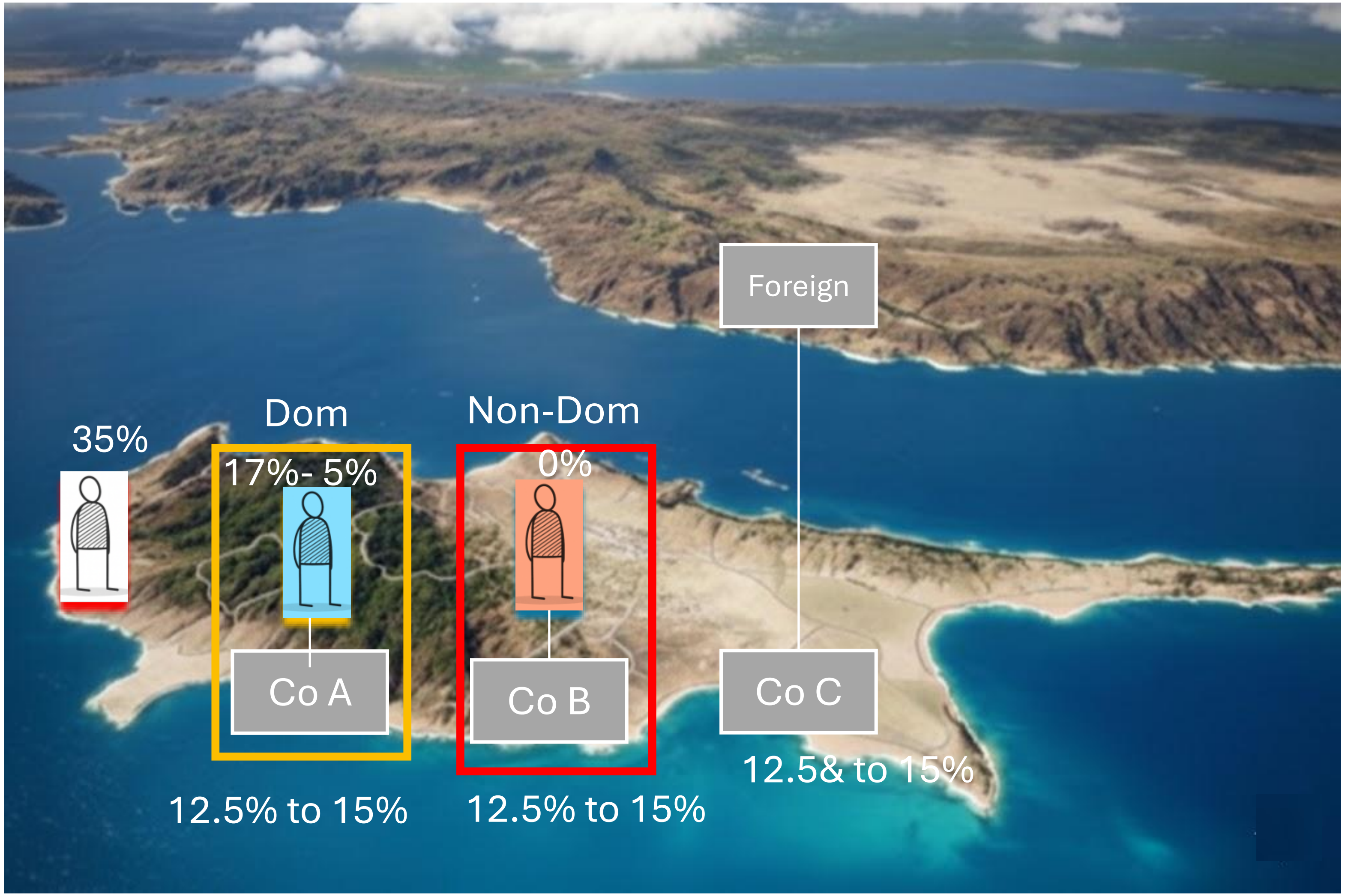
Assistant from Social and Economic sciences

CYPRUS 2024 - TAXES COLLECTED

TYPE OF TAX	2024 (€)
1.Value Added Tax (VAT)	2,817,387,432
2. Value Added Tax (Customs)	750,423,585
3.Income Tax – Individuals	1,163,885,266
4. Income Tax – Companies	1,904,482,859
5. Special Defence Contribution	434,218,103
6. Capital Gains Tax	174,219,125
7. Immovable Property Tax	9,734,091
8.Special Levy on Credit Institutions	82,943,369
9. Stamp Duty	40,180,975
10. Various Direct Taxes	16,364,918
11.Special Contribution of Employees / Self-Employed / Deduction at Source	1,153,147
12. Casino Tax	25,371,310
TOTAL COLLECTION	**7,420,364,181**

Why are these two numbers not similar?

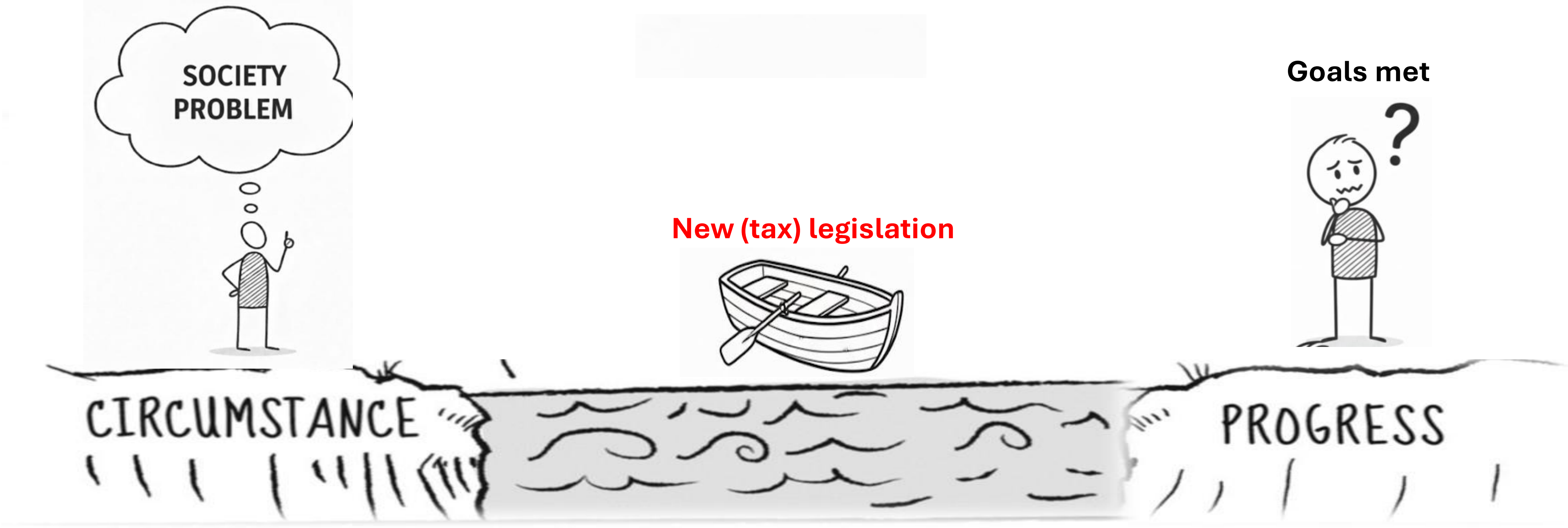
2. TAX REFORM (BIG PICTURE VIEW)



<u>Some first conclusions</u>

1. Equity?
2. Complexity
3. Promotes behaviours
4. Efficiency?
5. Anti- tax avoidance measures

1. LEGAL (TAX) METHODOLOGY



Principle 1 Equity	Principle 2 Simple	Principle 3 Efficient

Assistant from Social and Economic sciences

Principle 1 To become Equity	Principle 2 To become Simpler	Principle 3 To be come Efficient

Cyprus Enforces Tax Rules on Low – Tax & Blacklisted Jurisdictions

PRESENTATION BY
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TAX IMPLICATIONS FOR NON-RESIDENTS: DIVIDEND, INTEREST, ROYALTY PAYMENTS

POSSIBLE LIST OF LOW TAX JURISDICTIONS

Tax Foundation: Countries Without General Corporate Income Tax 2024

Country	Continent
Anguilla	North America
Bahamas	North America
Bahrain*	Asia
Belize*	North America
Bermuda	North America
British Virgin Islands	North America
Cayman Islands	North America
Guernsey	Europe
Isle of Man	Europe
Jersey	Europe
Saint Barthelemy	North America
Tokelau	Oceania
Turks and Caicos Islands	North America
Vanuatu	Oceania
Wallis and Futuna Islands	Oceania

Dutch list of states without a profit tax or with a profit tax at a rate of less than 9%

- **Anguilla** (included in the EU-list of non-cooperative jurisdictions)
- Bahamas
- Bahrein
- Barbados (9% Corporate Tax Rate)
- Bermuda
- British Virgin Islands
- Cayman Islands
- Guernsey
- Isle of Man
- Jersey
- Turkmenistan (8% Corporate Tax Rate)
- Turks and Caicos Islands
- **Vanuatu** (included in the EU-list of non-cooperative jurisdictions)

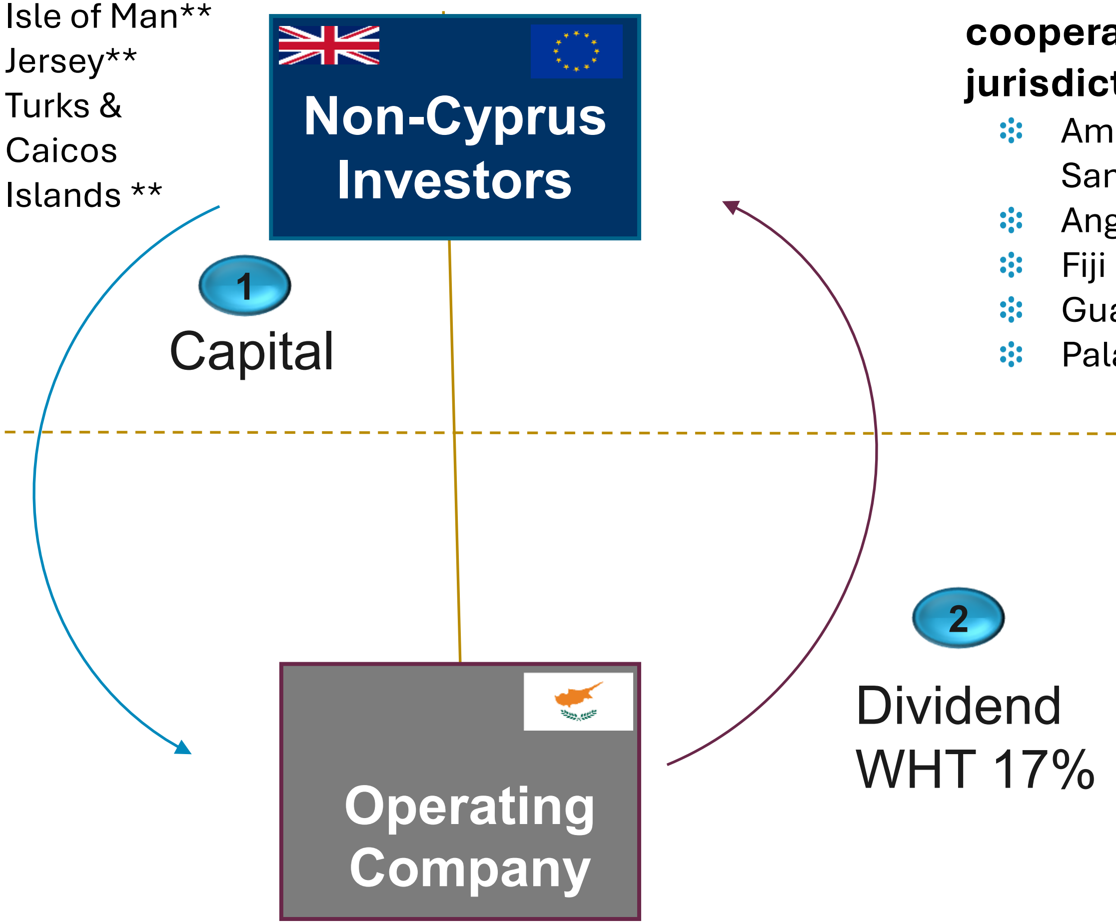
TAX ISSUES TO CONSIDER FOR PAYMENTS MADE BY A CYPRUS RESIDENT COMPANY TO NON-CYPRUS SHAREHOLDERS (LOW-TAX AND “BLACKLISTED” JURISDICTIONS)

- **Possible list of Low Tax Jurisdictions***
  - Bahamas**
  - Bahrein**
  - Bermuda **
  - BVI**
  - Cayman** Islands
  - Guernsey**
  - Isle of Man**
  - Jersey**
  - Turks & Caicos Islands **

- **EU-list of non-cooperative jurisdictions**
  - American Samoa
  - Anguilla
  - Fiji
  - Guam
  - Palau
  - Panama
  - Russia
  - Samoa
  - Trinidad and Tobago
  - US Virgin Islands
  - Vanuatu

State R (Resident State)

State S (Source state)



* The Netherlands publishes a list of states without a profit tax or with a profit tax at a rate of less than 9% (**Anguilla**, Bahamas, Bahrein, Barbados (9% CTR), Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turkmenistan (8% CTR), Turks and Caicos Islands, **Vanuatu**)

** Tax Foundation: Corporate Tax Rates Around the World 2024–Countries Without General Corporate Income Tax Table 4

TAX ISSUES TO CONSIDER FOR PAYMENTS MADE TO LOW-TAX JURISDICTIONS (EFFECTIVE DATE 1 JANUARY 2026)

Character of the Income	Timing Rule	Recipient	Sourcing Rule	Defensive Tax Measure
Dividend	Receiving (λαμβάνει)	Company or Permanent Establishment	from a Cyprus tax resident company	17% WHT
Royalties	Paid (καταβάλλονται) as consideration for [..] regardless of whether they have been paid (καταβληθεί) or not.	Company or Permanent Establishment	from a Cyprus tax resident company	Deduction denied
Interest	Paid (καταβαλλόμενος) [...] regardless of whether it has been paid (καταβληθεί) or not.	Company or Permanent Establishment	from a Cyprus tax resident company	Deduction denied

TAX ISSUES TO CONSIDER FOR PAYMENTS MADE TO BLACKLISTED JURISDICTIONS (ALREADY IN FORCE)

Character of the Income	Timing Rule	Recipient	Sourcing Rule	Defensive Tax Measure
Dividend	Receiving (λαμβάνει)	Company or Permanent Establishment	from a Cyprus tax resident company	17% WHT
Royalties	Accruing or arising	Company or Permanent Establishment	derived from sources within the Republic [..] and is not paid by an individual.	10% WHT Gross
Interest	receives or is credited regardless of whether it has been paid (καταβληθεί) or not	Company or Permanent Establishment	from sources within the Republic [...] and is not paid by an individual.	17% WHT

HIERARCHY OF LEGAL RULES IN CYPRUS (ΙΕΡΑΡΧΗΣΗ ΤΩΝ ΚΑΝΟΝΩΝ ΔΙΚΑΙΟΥ)

EU Law (Article 1A of the Constitution)

The Constitution is the supreme law of the Republic of Cyprus (Article 179 of the Constitution)

International Conventions such as Tax Treaties (Article 169 of the Constitution)

Laws, Primary Legislation (i.e. Legislation passed by the House of Representatives & colonial legislation)

Common law and equity principles

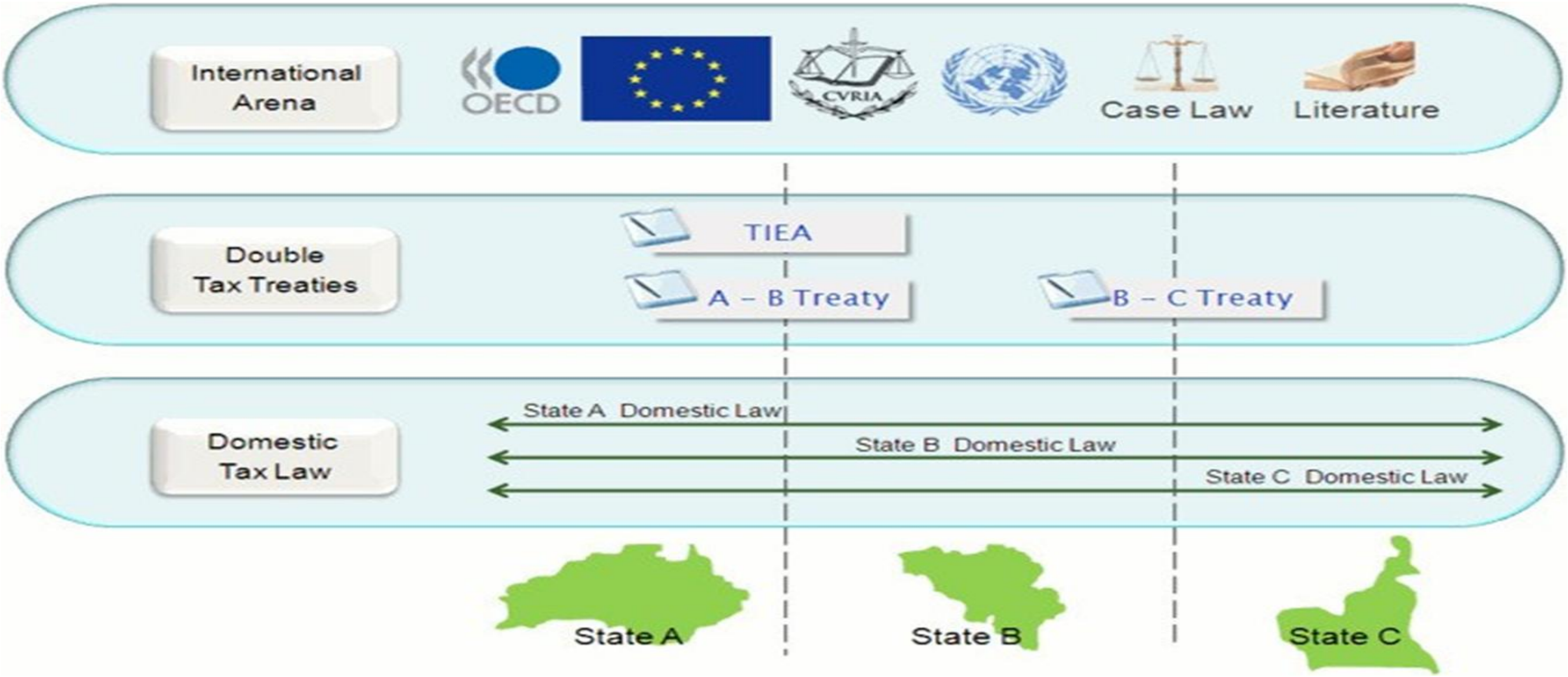
Secondary Legislation: Regulatory Administrative Acts (Κανονιστικές Διοικητικές Πράξεις ΚΔΠ)

Tax Circulars?

OVERLAPPING BETWEEN DOMESTIC TAX LAW, TAX TREATIES AND EU TAX LAW

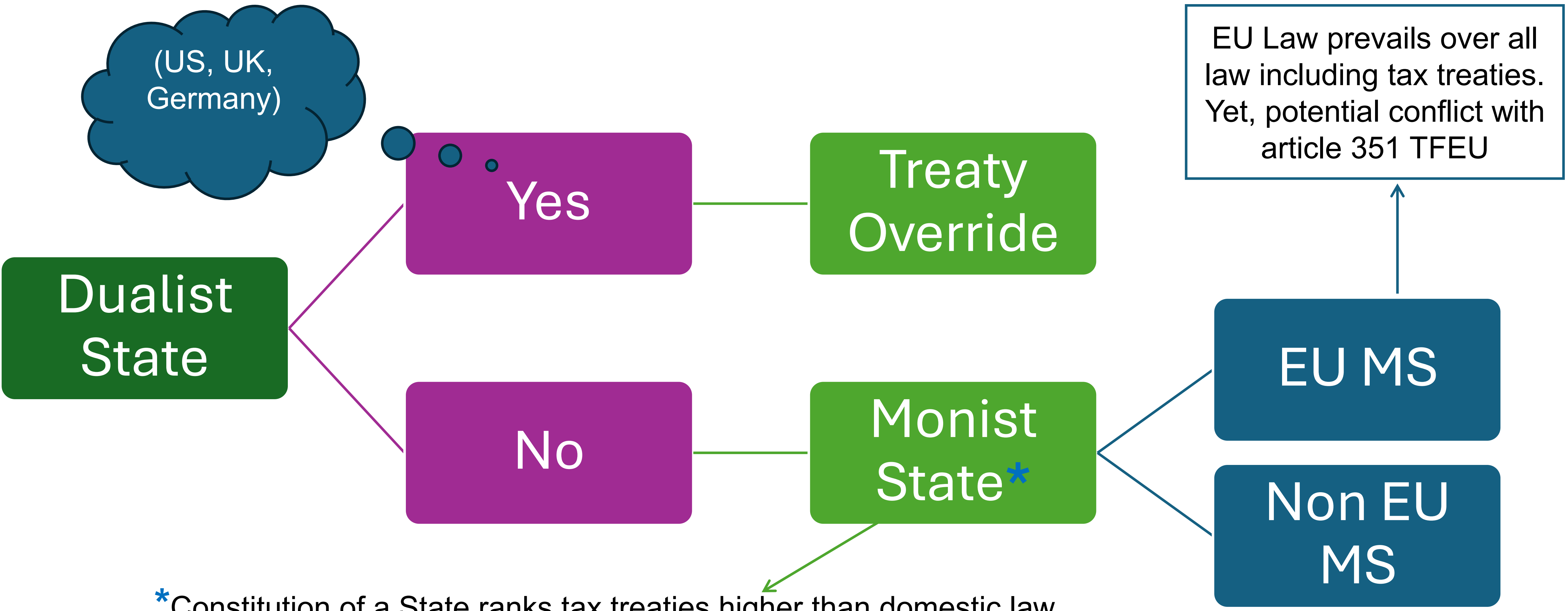
1. Domestic Law
2. Tax Treaties
3. EU Law
4. Overlap between Domestic Law & Tax Treaties
5. Overlap between Domestic Law & EU Tax Law
6. Overlap between Tax Treaties & EU Tax Law
7. Overlap Between Domestic Law, Tax Treaties & EU Tax Law

CONCEPTUAL MAP OF FACTORS INFLUENCING THE INTERNATIONAL TAX ENVIRONMENT*



*Source IBFD

TAX TREATIES OVERRIDE



*Constitution of a State ranks tax treaties higher than domestic law (e.g. Belgium, **Cyprus**, France, Netherlands, Switzerland)

Comments

- Professor Christiana HJI Panayi
- Queen Mary University of London

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EU BLACKLIST

- EU criteria for screening third country jurisdictions
- 5 December 2017: ECOFIN approved the first list
- Real impact
  - EU funding, reportable arrangements (DAC 6), public country by country reporting
- Much criticism due to obscurity in the process
  - Lack of transparency? Competence issues? Legitimacy?
  - Should Member States also be included?

EU BLACKLIST

- December 2019 ECOFIN: Guidance for common sanctions
  - MSs should apply at least one of the following defensive legislative measures: non-deductibility of costs, CFC rules, **withholding tax measures**, limitation of participation exemption on profit distribution, and other administrative measures.
  - MSs could apply a reversal of the burden of proof and special documentation requirements.

THE IMPACT OF CSRS

- Issues identified in 2018-2020 Cyprus CSRs
  - High levels of dividends and interest payments (relative to Cyprus' GDP)
  - Absence of withholding taxes on outbound dividend, interest and royalty payments to non-EU recipients
  - Corporate tax residency rules (only management and control)
- Reforms in Cyprus tax legislation
  - Change of tax residency rules (additional incorporation test)
  - Withholding taxes for payments to entities in listed jurisdictions (subject to conditions)
    - Also recommended in Code of Conduct Group's Guidance on defensive measures in the tax area towards non-cooperative jurisdictions
- Gold-plating
  - Demand to impose withholding taxes for payments to entities in low-tax jurisdictions
- Aligned with Cyprus Recovery and Resilience Plan (2021-2026) and Commission Staff Working Document

THE IMPACT OF CSRS

- Similar recommendations made to Luxembourg and Malta.
- See 2023 + 2024 CSRs for Luxembourg:
  - Urged to increase action "to effectively tackle aggressive tax planning, in particular by ensuring sufficient taxation of outbound payments of interest and royalties to zero/low-tax jurisdictions."
- See 2022-2024 CSRs for Malta:
  - Urged to introduce a withholding tax on outbound payments or equivalent defensive measures, and amend rules on non-domiciled companies, in order to address remaining aggressive tax planning risks.

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Comments

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- Queen Mary University of London

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Questions!

THANK YOU FOR YOUR ATTENTION!

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Taxand is a global organisation comprising top tier local independent tax advisory firms who together provide high quality, integrated tax advice to clients worldwide.

Overall, there are more than 700 tax partners and over 3,000 tax advisors across 51 countries, focussed on understanding you and your business needs; collaborating to deliver tailored, practical local and international tax advice, in consideration of your strategic goals.

For more details visit: **www.taxand.com**

"Focused on understanding you and your business needs."

TAXAND AT A GLANCE

World’s largest independent tax organization
We are a global collective of top-tier firms in key jurisdictions, with more than **700 tax partners** and **over 3,000 tax advisors** in **51 countries**

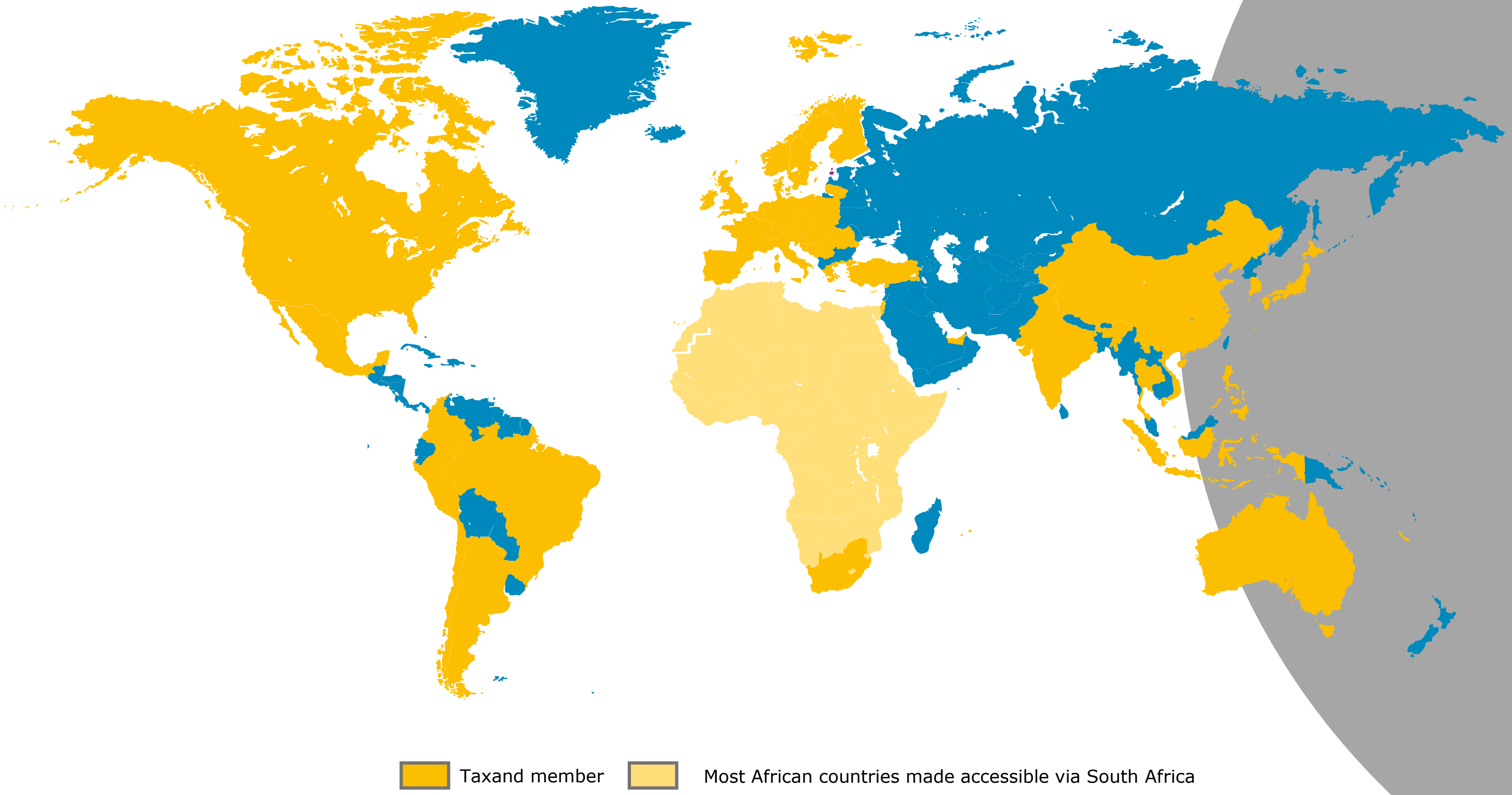
One organization of member firms
Established with an entrepreneurial mindset since 2005, Taxand has always sought to grow; adding handpicked firms delivering tax advice in each of the countries we serve, to provide easy access to first-class tax advice globally. **Our approach is personal; our focus is global**

Thinking strategically
Taxand has evolved into an integrated worldwide organization of **leading experts with complementary skills and experience**

Stronger in partnership
The pace of change in our industry is unprecedented. Taxand is committed to applying our **shared knowledge, experience and expertise** to anticipate the challenges, embrace the opportunities and work hand in hand to shape the path ahead for the benefit of our clients

- **Client-Centric**
- **Conflict Free**
- **Entrepreneurial**
- **Values-Led**
- **Collaborative**

GLOBAL COVERAGE : 51 COUNTRIES



- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Canada
- Chile
- China
- Colombia
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Emirates
- Finland
- France
- Germany
- Greece
- Hungary
- India
- Indonesia
- Ireland
- Israel
- Italy
- Japan
- Korea
- Luxembourg
- Malta
- Mauritius
- Mexico
- Netherlands
- Norway
- Peru
- Philippines
- Poland
- Portugal
- Puerto Rico
- Romania
- Serbia
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Turkey
- Thailand
- UK
- USA
- Vietnam

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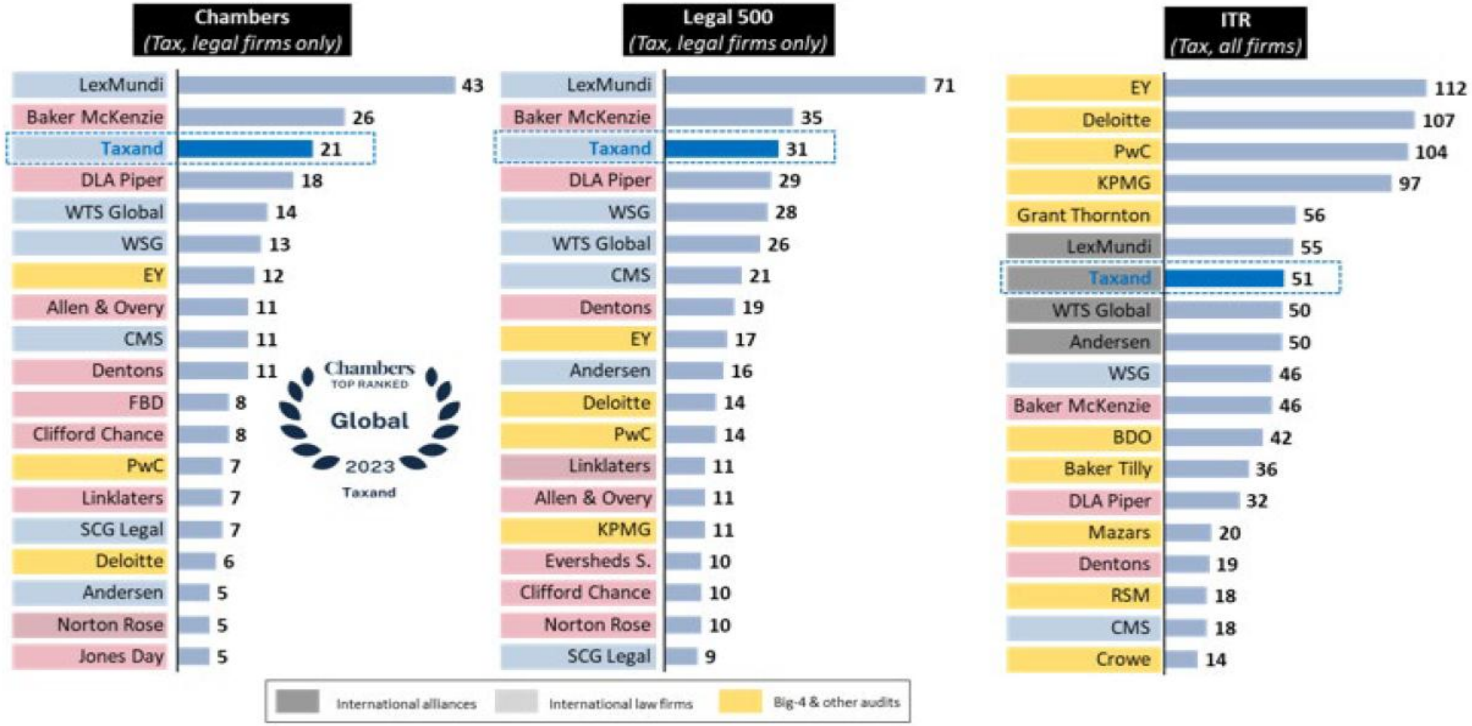
AWARDS

IN AGGREGATE TAXAND GLOBAL FIRMS ARE AMONG THE TOP RANKED



The figures provided above are sourced from our **Strategic Review 2022/23**, the latest 2024 Chambers rankings across Global, European, Asian and LatAm guides show further Taxand growth with member firms from **25 countries** ranked for Tax and **69 practitioners** recognised for their tax expertise.

Legal 500, 2024, rankings across 4 guides: APAC, EMEA, LATAM and Canada, with a total of 143 lawyers featured in Legal 500 firm profiles; member firms from 25 countries ranked for Tax by Legal 500 of which 18 are ranked Tier 1.

In 2023, ITR shortlisted Taxand member firms for over **80 awards** across the Americas, EMEA and APAC regions and at September's awards ceremony in London, **Taxand won 19 awards**.

GLOBAL COVERAGE

TOP TIER GLOBAL COVERAGE

- Argentina
- Australia
- Austria
- Belgium
- Brazil*
- Canada
- Chile
- China
- Colombia
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Emirates*
- Finland
- France
- Germany
- Greece
- Hungary
- India
- Indonesia
- Ireland
- Israel
- Italy
- Japan
- Korea
- Luxembourg
- Malaysia
- Malta
- Mauritius
- Mexico
- Netherlands
- Norway
- Peru
- Philippines
- Poland
- Portugal
- Puerto Rico
- Romania
- Serbia
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Turkey*
- UK
- USA
- Vietnam*

SERVICES

Pillar 2	Energy tax	Financial services tax	Indirect tax	M&A tax	Private client services	Real estate tax	Tax disputes resolution	TP & business restructuring

- Providing high quality advice that addresses your strategic concerns and improves your bottom line by:
- Understanding and managing the tax consequences of cross-border tax transactions
- Considering organisational (re)structuring options in full awareness of the tax implications
- Realising tax, supply chain and overall operational efficiencies
- Interpreting technical tax provisions
- Lowering effective tax rates
- Addressing and preventing tax leakages
- Ensuring tax compliance
- Managing relationships with tax authorities

AWARDS

World Tax 2024

Rankings

Tax

Tier 1
Deloitte
Elias Neocleous & Co
EY
KPMG
PwC
Taxand Cyprus
Tier 2
Baker Tilly South East Europe
Chrysses Demetriades & Co
Consulco
Dr K Chrysostomides & Co
Tier 3
C Savva & Associates
Grant Thornton
Michael Kyprianou & Co

Tax controversy

Tier 1
Chrysses Demetriades & Co
Elias Neocleous & Co
Tier 2
Taxand Cyprus

ITR WORLD TAX TOP TIER FIRM [2022]

ITR WORLD TAX TOP TIER FIRM [2023]

ITR WORLD TAX TOP TIER FIRM [2024]

Dedicated tax firm Taxand Cyprus covers all tax practices such as compliance and contentious, with dedicated partners specialising in various tax areas. The team has partners leading each tax area and sectors such as real estate.

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WORLD TAX