

# Cyprus Tax Reform 2026

## Basic Provisions

### Individuals

- ❖ The tax-free allowance is increased to €22.000 and additional discounts will be granted depending on the number of children and incomes.
- ❖ In order to become eligible for additional tax deductions, the annual income of a family with one or two children must be €100 thousand, for three or four children it increases to €150 thousand, and for large families with more than five children, this rises to €200 thousand.
- ❖ Tax deductions will be staggered for children and students (up to 24 years old women and men). For one child and student the discount will be €1.000, for the second child and student the discount will rise to €1250 and from the third and above the discount will be €1.500. For performing loan interest and rents, the tax deduction will be €2.000 and for green investments in homes for the purchase of an electric vehicle, the discount will be €1.000. Granting a discount of up to €500 on taxable income for home insurance premiums against the risk of natural disasters. (They are not included in the 1/5 exemptions from income).
- ❖ Adoption of new tax scales. For incomes from €22.001 to €32.000 the tax will be 20%. Incomes from €32.001 to €42.000 will be taxed at 25%. Annual earnings from €42.001 to €72.000 the tax rate will be 30%. Income over €72.001 will be subject to 35% taxation.

### Businesses

For businesses and especially Cypriot ones, the following will apply from 1/1/2026:

- ❖ The deemed distribution of dividend on profits acquired after 1/1/2026 is abolished.
- ❖ The rate of imposition of the special defense contribution on the actual dividend distribution is reduced from 17% to 5%, for profits that will be generated after 1/1/2026.
- ❖ The imposition of an extraordinary defense levy on rental income is abolished.

For all businesses, local and foreign, the following will apply:

- ❖ Increase of corporate tax to 15% from 12,5% today.
- ❖ Special way of taxing profits from the disposal of crypto-assets, 8%, for profits within tax profit.

- ❖ The loss carry-over period is extended from 5 years to 7 years.
- ❖ The 120% super-deduction for research and development expenses of an intangible asset is extended until 2030.
- ❖ The maximum limit of deductible entertainment expenses for tax purposes is increased to €30.000, from €17.086.
- ❖ A special way of taxation with a fixed rate of 8% on stock options on the basis of an approved employer's benefit plan.
- ❖ Gratuitous payments made by an employer in a lump sum are subject to income tax at a horizontal rate of 20% and a tax-free amount of €200.000 is granted in cases where gratuitous allowances are granted due to termination of employment.

### **Additional measures**

Measures against tax evasion:

- ❖ Mandatory payment of rent over €500 via bank transfer or electronic payment. This measure will be implemented from July 1, 2026.
- ❖ Mandatory submission of a tax return by all natural persons from the age of 25.
- ❖ The Tax Commissioner will be able to request the submission of a list of assets and liabilities covering a period of six years and the mandatory keeping of data supporting the tax return for six years.
- ❖ The Commissioner of Taxation will be able to demand tax bank information, e.g. deposits, from banks in Cyprus as well.
- ❖ Sealing of businesses for non-submission of tax returns, for non-issuance of legal receipts and for tax debts. The taxpayer will have the right to challenge the decision in court.
- ❖ Blocking of company shares for tax debts over €100 thousand.

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