

Cyprus Tax Highlights

January 2026

Introduction

This Information Sheet is a very brief outline of the main Cyprus taxes applicable to Cyprus tax resident companies and individuals. A more comprehensive summary can be found on [Information Sheet No.18](#).

Corporate Taxation

Tax Residency: A company is resident in Cyprus if its management and control is exercised in Cyprus. In addition, as of 31/12/2022, a company incorporated or registered in Cyprus, and whose management and control is exercised from outside Cyprus, will be considered Cypriot tax resident.

Basis of Taxation: Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Cyprus sourced income.

Tax rate: 15% as from 1st January 2026 (previously 12.5%) | Certain types of income are tax exempt or are subject to other types of taxation.

Exempt income

- Profit from sale of qualifying titles (e.g. shares, bonds, options on titles, and other)
- Dividends
- 80% deemed expense of the profit arising from the use or sale of qualifying Intellectual Property
- Profits of a permanent establishment abroad (subject to conditions which are easily met)
- Capital gains from the disposal of immovable property situated outside of Cyprus.

Deductions

- General rule: Expenses incurred wholly and exclusively for the production of taxable income
- Contributions to approved funds
- Capital allowances on fixed assets (wear and tear)
- Notional interest deduction on new equity (i.e. fully paid-up share capital and share premium) introduced in the business as of 1 January 2015 and onwards. The notional interest deduction is calculated by applying on the new equity the interest rate of the ten-year government bond yield (as at 31 December of the previous year) of the country in which the new equity is invested, increased by 5%. Certain anti-avoidance provisions apply.
- Donations to approved Cyprus charities
- Repairs of business assets
- Interest paid for the acquisition of business assets generating taxable income (including the interest incurred for the acquisition of a 100% subsidiary)

Non-deductible expenses

- Interest expense in relation to the acquisition of a non-business asset (applicable for 7 years)
- Salaries for which contributions were not paid within the year due for payment

- Professional tax
- Entertainment expenses (in excess of 1% of the gross income or €30.000, whichever lower)

Special Contribution for Defence

Special contribution for defence ("SDC") is a tax imposed on certain types of income earned from Cyprus tax residents (individuals and entities). Non-residents, and resident individuals who are not domiciled in Cyprus⁽²⁾ are exempt from special contribution for defence.

Type of income	Individuals	companies
Dividend income from Cyprus resident companies	5% ⁽²⁾	Nil
Dividend income from non-Cyprus resident companies	5% ⁽²⁾	Nil ⁽¹⁾
Interest income	17%	Nil

In all cases, foreign tax suffered may be claimed as a deduction (credit) against SDC resulting from the same income.

Notes:

- 1) Foreign dividend is exempt from SDC subject to conditions which are easily met (i.e. based on the activeness of the source company from which the dividend emanates OR based on the level of tax suffered by the company paying the dividend). Where the exemption does not apply, SDC at the rate of 5% applies.
- 2) Cyprus tax resident individuals who are considered as non-domiciled in Cyprus for tax purposes are exempt from SDC. As such, dividends and interest earned by such individuals, irrespective of the origin of the relevant income (i.e. from sources within Cyprus or abroad) will be exempt from SDC. Note that dividends and interest are also generally exempt from income tax. As from 2015, an individual is deemed to be domiciled in Cyprus if he has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions), or if he has been a tax resident in Cyprus for at least 17 out of the 20 years prior to the tax year of assessment. Anti-avoidance provisions apply.

Capital Gains Tax

Tax Rate: 20% | Applicable ONLY on gains from the disposal of immovable property situated in Cyprus (or shares in companies which own such property, or which indirectly own such property and derive at least 20% of their market value from such immovable property). Certain transfers / disposals are exempt from this tax.

Value Added Tax (VAT)

VAT is imposed on the provision of goods and services in Cyprus, as well as on the acquisition of goods from the European Union (EU) and the importation of goods into Cyprus. The EU VAT Directive has been fully implemented.

Rates

Standard rate 19%
 Reduced rates 9%, 5%, 3%
 Zero rate 0%

Other

Withholding Tax

There are no Cyprus withholding taxes on any outgoing payments from Cyprus (dividends, interest, royalties, fees) towards non-Cyprus residents (companies or individuals), except in the case of:

- dividends/ interest/ royalties paid from Cyprus to associated companies that are resident in an EU-blacklisted jurisdiction, or that are incorporated/ registered in an EU-blacklisted jurisdiction and are not tax resident in any other jurisdiction that is not included in the EU blacklist (applies as from 31/12/2022), and
- dividends paid from Cyprus to associated companies that are resident in a low-tax jurisdiction (LTJ), or that are incorporated/ registered in an LTJ and are not resident in a non-LTJ (applies as from 01/01/2026).

Note: In case of royalties used in Cyprus, there is a 10% Cyprus withholding tax with possible elimination or deduction from access to double tax treaty or EU Directive benefits. Further, as of 1st January 2016, there is a 5% Cyprus withholding tax imposed on the gross income derived by non-Cyprus tax residents relating to oil and gas extraction, exploration and certain other related services performed in the exclusive economic zone of Cyprus.

Double Tax Relief

Foreign tax suffered on an income which is taxable in Cyprus may be claimed as credit against the Cyprus tax (income tax and defence tax) resulting from the same income. This is applicable both for companies and individuals.

Deemed Dividend Distribution

To the extent that there are Cyprus resident ultimate beneficial shareholders (UBO's), there are additional tax issues to consider.

Personal Income Tax

Chargeable Income €	Tax Rates %	
0 – 22.000	0	• An individual who spends more than 183 days in Cyprus in any calendar year is considered to be tax resident in Cyprus for that year. In addition, as from 1 January 2017, an individual who spends at least 60 days in Cyprus in any calendar year may be considered to be tax resident in Cyprus for that year, subject to certain conditions being cumulatively met. • Cyprus tax residents are taxed on their worldwide income. • Individuals who are not tax residents of Cyprus are taxed on income accrued or derived only from sources in Cyprus. • Certain types of income are tax exempt from personal income tax and taxed separately (e.g. dividends taxed @ 5% defence tax, interest taxed @ 17% defence tax, capital gains tax @ 20%). Profit from sale of shares is completely exempt from all Cyprus taxes
22.001 – 32.000	20	
32.001 – 42.000	25	
42.001 – 72.000	30	
Over 72.000	35	

NOTES

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.