

CYPRUS TAX REFORM 2026

THE FULL GUIDE



CYPRUS COMPREHENSIVE TAX REFORM

Effective Date: 1 January 2026

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OVERVIEW & KEY OBJECTIVES

THE REFORM AT A GLANCE

The Cyprus Parliament voted a long-awaited comprehensive tax reform designed to reshape the tax system to cater with greater flexibility, fairness, and efficiency to modern economic and social demands, as well as improved tax compliance.



OVERVIEW & KEY OBJECTIVES

SIX LAWS AMENDED

- Income Tax Law (ITL)
- Special Contribution for Defence Law (SDCL)
- Capital Gains Tax Law (CGTL)
- Assessment and Collection of Taxes Law (ACTL)
- Collection of Taxes Law (CTL)
- Stamp Duty Law (SDL)

STRATEGIC FOCUS

- Greater flexibility in tax systems
- Enhanced fairness across taxpayer categories
- Improved efficiency in tax administration
- Strengthened tax compliance mechanisms



INDIVIDUAL INCOME TAX

PERSONAL INCOME TAX OVERVIEW

- Increase in tax-free income threshold
- Revised income tax brackets
- Introduction of new personal deductions
- Mandatory tax return submission

TAX-FREE THRESHOLD

- Previous threshold: €19,500
- New threshold from 2026: €22,000
- Direct increase in disposable income for individuals



INDIVIDUAL INCOME TAX BRACKETS

PERSONAL INCOME TAX REVISION

New Tax Bands for 2026

INCOME	TAX RATE	ACCUMULATED TAX
€0 – €22,000	0%	€0
€22,001 – €32,000	20%	€2,000
€32,001 – €42,000	25%	€4,500
€42,001 – €72,000	30%	€13,500
Over €72,000	35%	-

PERSONAL TAX DEDUCTIONS & TAX RETURN

DEDUCTIONS

- Deductions for dependent children
- Deductions for home insurance
- Deductions for residential loan interest
- Socially targeted reliefs to support families

MANDATORY TAX RETURN SUBMISSION

- All Cyprus tax residents aged over 25 must submit an annual tax return
- Applies regardless of income level
- Aims to improve transparency and compliance

CORPORATE INCOME TAX CHANGES

CORPORATE TAX RATE INCREASES FROM 12.5% TO 15%

- Adjustment of corporate income tax rate
- Changes to dividend taxation
- Abolition of certain legacy tax mechanisms
- Incentives for development and investment

CORPORATE INCOME TAX CHANGES

DIVIDEND TAXATION CHANGES

- Withholding tax on actual dividends reduced
- Previous rate: 17%
- New rate: 5%
- Encourages transparent profit distribution



CORPORATE INCOME TAX CHANGES

ABOLITION OF DEEMED DIVIDEND DISTRIBUTION

- Deemed dividend distribution regime fully abolished
- Applies to profits generated from 1 January 2026
- Significant reduction in compliance burden

ABOLITION OF STAMP DUTIES

- Full abolition of Stamp Duty Laws
- Applies to all taxable instruments
- Simplifies transactions and reduces costs

INVESTMENT & INCENTIVES

INVESTMENT INCENTIVES

- Support for capital market development
- Encouragement of business growth and innovation

DEFENCE CONTRIBUTION ON BOND INTEREST

- Interest from bonds listed on the Cyprus Stock Exchange Emerging Companies Market
- Defence contribution reduced from 17% to 3%

INVESTMENT & INCENTIVES

COST OF LIVING ALLOWANCE INCENTIVE

- Notional tax deduction granted to employers
- Applies when Cost of Living Allowance (COLA / ATA) is paid
- Supports workforce income sustainability

ADMINISTRATIVE IMPROVEMENTS

- Simplified tax procedures
- Improved clarity in compliance obligations
- Strengthened enforcement with legal certainty

SUMMARY OF KEY TAX CHANGES

1. Corporate tax rate increased to 15%
2. Dividend withholding tax reduced to 5%
3. Deemed dividend distribution abolished
4. Stamp duties abolished
5. Tax-free income threshold increased to €22,000
6. Mandatory tax returns for residents over 25 years old

**CONTACT A TAX ADVISOR
FOR FURTHER ASSISTANCE**

Contact us here



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