

A. INTRODUCTION

On 1 February 2024, the Cyprus Tax Authorities ("CTA"), published an announcement in relation to the increase of the materiality threshold for the preparation of a Cyprus Local File.

B. BACKGROUND

On 30 of July 2022, the Cyprus Parliament has voted for the introduction of the Transfer Pricing Regulations in Cyprus, effective as from 1 January 2022.

The Transfer Pricing regulations required that all Cyprus taxpayers with related party transactions exceeding the aggregated amount of EUR 750.000 per category of transactions, have the obligation to prepare a Cyprus Local File.

C. BRIEF POINTS TO NOTE

Further to the announcement made from the Cyprus Tax Authorities on 1 February 2024, the materiality threshold for the tax year 2022 onwards for the preparation of a Cyprus Local File has been increased as below:

- 1) €5.000.000 for related party transactions in the category of financing transactions
- 2) €1.000.000 for the rest categories of related party transactions (trade of goods/services/intellectual property/other)

The provisions of the Circular published on 6 July 2023 from the Cyprus Tax Authorities with reference to simplification measures for entities exempted from the preparation of a Local File, are still applicable.

D. CONCLUSION

Entities engaging in related party transactions falling within the category of financing must prepare a Cyprus Local File, if the aggregated amount of such transactions exceeds €5.000.000. For the rest categories of related party transactions, the threshold is set at €1.000.000. Entities with related party transactions below the revised thresholds for each category, need to prepare a simplified Transfer Pricing report, as per Circular 6/2023.

E. HOW WE MAY ASSIST

- Assess if the intragroup transactions of an entity exceed the threshold;
- Categorize the transactions;
- Prepare and submit the Summary Information Table;
- Prepare the required documentation (Local File, Master File) and relevant Benchmark Analysis;
- Prepare the required simplified transfer pricing documentation;
- Perform and submit a transfer pricing study for your intragroup financing transactions before the tax year 2022;
- Prepare an APA and liaise with tax authorities to enable the client to secure a pricing in advance;
- Assist in the formation of the internal transfer pricing policy;
- Representation arrangements in a transfer pricing dispute with the tax authorities.

DISCLAIMER

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.