

CYPRUS TAX DEVELOPMENTS 2024

During 2024 there have been quite a few significant Tax developments in Cyprus, the purpose of which reflect on the islands commitment to align with International Tax Standards and enhance a competitive position as a regional hub for international businesses.

As a general guide, below are some of the key noticeable developments:

Anti-Tax Avoidance Measures

Cyprus has intensified its efforts in 2024 to combat tax avoidance through the strengthening of existing anti-tax avoidance measures. This includes stricter enforcement of the EU Anti-Tax Avoidance Directive (ATAD), particularly in relation to controlled foreign companies (CFC) rules, hybrid mismatches, and exit taxation. Additional reporting requirements are expected to be introduced for cross-border arrangements under **DAC6**, to ensure greater transparency and compliance in accordance with EU tax directives.

Transfer Pricing Regulations

Following the introduction of formal transfer pricing rules in 2022, Cyprus continues to refine these regulations in 2024 to ensure that they are in line with the OECD guidelines. These amendments aim to provide greater clarity on compliance requirements and documentation standards, particularly considering the increasing scrutiny from international tax authorities.

The 2024 updates include enhanced reporting obligations for intra-group transactions and stricter enforcement measures to ensure that MNEs adhere to the arm's length principle. The first submission of the revised Summary Information Table (SIT) is due by the end of November 2024.

IP Box Regime

Cyprus has made updates to its Intellectual Property (IP) Box regime in 2024 in accordance with the OECD's BEPS Action 5. The IP Box regime allows for a beneficial tax rate on income derived from qualifying intellectual property. The 2024 updates include expanded definitions of qualifying IP and additional anti-abuse provisions to prevent misuse of the regime.

Notional Interest Deduction (NID)

Cyprus has introduced enhancements to the Notional Interest Deduction (NID) regime, which allows companies to deduct a notional interest on new equity injected into a company. The changes include a revised calculation method and increased thresholds, making the NID more attractive for businesses looking to optimize their tax liabilities while investing in Cyprus.

Global Minimum Tax (Pillar Two Implementation)

Cyprus is preparing for the implementation the OECD's Pillar Two rules, that will introduce a global minimum corporate tax rate of 15% for multinational enterprises (MNEs) with annual revenues exceeding €750 million.

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This will impact Cyprus's tax landscape, particularly for large multinational corporations that have traditionally benefited from the island's low corporate tax rate of 12.5%. This development is a direct result of the global agreement reached under the OECD/G20 Inclusive Framework on BEPS, and Cyprus is set to introduce these rules in the course of 2024.

Digital Taxation Measures

In response to the global shift towards digital taxation, Cyprus has started discussing the introduction of digital services tax (**DST**) measures. While still under consultation, these measures are expected to target large digital companies operating in Cyprus that currently benefit from low taxation under existing rules. The introduction of a DST will bring Cyprus to the broader EU initiative to tax digital revenues more effectively and could be implemented by the end of 2024.

DISCLAIMER

This above information 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 for any loss occasioned by acting or refraining from acting on the basis of this information.

The above list is not exhausted and may need updating by the time of action and/or interest. Whilst some of these measures could be perceived as burdensome in the initial stages, they signal a commitment to our reputation as a compliant and competitive jurisdiction for international business, adapting rapidly to an inevitable changing global transparent Tax environment.

Businesses operating in or through the Republic are well advised to stay ahead of these developments and consider the implications involved. Should you or your clients require any clarifications or assistance with these matters, please do not hesitate to contact us.