

2026 CYPRUS TAX REFORMS

Cyprus has enacted comprehensive tax reforms effective 1 January 2026, published in Official Gazette No. 5070. These reforms enhance fairness, attract talent with extended non-domiciled benefits, provide digital asset clarity, and sustain Cyprus' competitiveness.

Companies

Abolished taxes

- Stamp duty taxes are fully abolished from 1 January 2026

Corporate tax rate increase

- For 2026 profits onwards, the corporate tax rate rises from 12.5% to 15%
- This move aligns Cyprus with international standards including the OECD 15% global minimum tax
- Cyprus tax resident companies continue to benefit from full exemptions for investment income earned, subject to conditions:
 - realized profits on trading of securities
 - unrealized profits on the revaluation of securities
 - qualifying dividend income from subsidiaries or shares held in a portfolio
 - tax neutral treatment of realized/ unrealized foreign exchange gains/ losses on trading of securities

Extension of loss carry forward

- The carry-forward period is extended to 7 years (previously: 5 years)

Crypto-asset taxation

- Profits from the sale of “crypto-assets” (sale, exchange, donation, or use as payment) are taxed at a flat 8% rate (mining acquisitions are exempt from this regime)
- Losses from crypto sales can only offset same-year profits, with no carry-forward

Unchanged business incentives – NID, IP Box, R&D super deduction

- The Notional Interest Deduction (“NID”) regime continues to allow up to 80% reduction in taxable income (New effective tax rate: 3%)
- The Intellectual Property (“IP”) Box regime continues to offer up to 80% exemption on qualifying IP profits
- Cyprus continues to offer a Research and Development (“R&D”) super deduction of 20% on qualifying expenses for tax years 2025 through to 2030, resulting in a total 120% deduction from taxable income.

Entertainment expenses deduction

- The annual deductible amount increases to EUR 30'000 per year

Tax resident definition update

- The definition of "resident of the Republic" in the Income Tax Law has been revised.

- For companies: Cyprus companies are now automatically tax residents here by incorporation – no need to prove they are not resident elsewhere (double tax treaties still override if they say otherwise)
- For individuals: see “**Individuals**” section” below

Quick Hits on Other Changes affecting companies

Penalties	Significantly increased for non-compliance
Directors	Liable for actions/omissions even after resignation
Filing Deadlines	Companies/audited: 31 Jan (13 months post year-end); TD7 by 31 March

Individuals

Non-domiciled (non-dom) status extension

- Non-dom status is now more flexible: after 17 years, you can extend it for up to two more 5-year periods (10 years total) by paying a €250,000 lump sum per period.
- Non-doms stay exempt from Special Defence Contribution on dividends, interest, and rental income during that time.

Tax resident definition update

- For individuals: the 60-day rule for Cyprus tax residency is now simpler: you no longer need to prove you're not a tax resident elsewhere to qualify.

Taxation of redemption of units

- From 1 January 2031, this is taxed as a dividend (previously: disposal of securities)

Share options

- New provisions for the taxation of share options (where granted as employment income) at a flat rate of 8%, subject to conditions

New Progressive Income Tax Bands

Taxable Income (EUR)	Rate
Up to 22'000	0%
22'001 – 32'000	20%
32'001 – 42'000	25%
42'001 – 72'000	30%
Above 72'000	35%

Cyprus continues to offer 50% exemption from the above income tax (“PAYE”) for 17 consecutive years, for new Cyprus tax residents.

Special Defence Contribution (“SDC”) - only for Cyprus domiciled tax resident shareholders

- The Special Defence Contribution on dividends drops to 5% (from 17%)
- Deemed dividend distribution (“DDD”) rules are abolished for profits from 2026 onward—much simpler for Cyprus companies (transitional rules apply for earlier profits).

Quick Hits on Other Changes affecting individuals

Ex-gratia payments	Payments of more than EUR 200'000 taxed at 20% (retirement/termination)
Capital Gains Tax	Property-rich shares threshold down to 20% (was 50%); lifetime exemptions increased; land swaps now exempt
Filing	Tax residents 25-71 must file returns regardless of income

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