Using Cyprus Companies for International Structures: Legal & Tax Considerations (2026 Update)

In recent years, Cyprus has evolved from a traditionally low-tax jurisdiction into a fully compliant and strategically positioned international business hub. The 2026 tax reforms, including the increase of corporate tax to 15%, reflect alignment with OECD and EU standards.

However, despite these changes, Cyprus continues to offer significant advantages for international structures—particularly when properly designed and implemented.

This article outlines the key legal and tax considerations for using Cyprus companies in international structures in 2026.

1. The Role of Cyprus in International Structuring

Cyprus remains a preferred jurisdiction for international investors due to its:

- EU membership and access to EU directives
- Extensive double tax treaty network
- Common law legal system
- Strategic geographic position between Europe, the Middle East and Asia

In practice, Cyprus is frequently used as an intermediary or holding jurisdiction within cross-border corporate structures, particularly in sectors such as technology, real estate, trading and investment.

When properly structured, Cyprus holding companies can provide significant tax efficiencies and flexibility in group structuring.

2. Tax Framework After the 2026 Reform

The recent tax reform has changed the narrative around Cyprus, but not its underlying value.

Key developments include:

- Corporate tax increased to 15%
- Reduction of dividend taxation (Special Defence Contribution) to 5% for certain cases
- Abolition of deemed dividend distribution rules
- Continued availability of participation exemption on dividends (subject to conditions)

As a result, Cyprus is no longer marketed as a "low-tax" jurisdiction, but rather as a compliant and efficient structuring jurisdiction.

For international groups, this shift enhances credibility while preserving core tax advantages.

3. Economic Substance: The Critical Factor

One of the most important considerations today is substance.

Increased scrutiny from tax authorities, banks and regulators means that the effectiveness of any structure depends on demonstrating real presence and activity.

In practice, companies must ensure they meet economic substance requirements in Cyprus, including:

- Local directors with decision-making capacity
- Physical presence (office, employees where required)
- Demonstrable management and control in Cyprus

Failure to meet these requirements may result in:

- Loss of tax residency status
- Denial of treaty benefits
- Banking and compliance issues

Substance is no longer optional—it is central to the sustainability of any international structure.

4. Anti-Avoidance and International Compliance

Cyprus operates within a strict EU and OECD compliance framework.

This includes:

- Anti-Tax Avoidance Directives (ATAD)
- Transfer pricing rules
- Controlled Foreign Company (CFC) provisions
- Increased scrutiny of transactions involving low-tax jurisdictions

In particular, new defensive measures may apply when dealing with non-cooperative or low-tax jurisdictions, including withholding taxes and denial of deductions.

As such, structures must be carefully designed to ensure:

- Commercial rationale
- Proper documentation
- Alignment with international tax principles

5. Practical Structuring Considerations

From a legal and practical perspective, investors should consider:

- The purpose of the Cyprus entity (holding, trading, IP, financing)
- The jurisdictions involved in the group structure
- Dividend flow and repatriation strategy
- Governance and shareholder arrangements
- Banking and operational requirements

Poor planning at the structuring stage often leads to inefficiencies, disputes or compliance issues at a later stage.

A properly structured Cyprus company should not only achieve tax efficiency, but also withstand regulatory and commercial scrutiny.

6. Conclusion

Cyprus remains a highly relevant jurisdiction for international structuring in 2026.

While the era of purely "low-tax" positioning has ended, the country now offers a more robust and internationally aligned framework that combines:

- Legal certainty
- Tax efficiency
- EU credibility

The key to success lies not in the jurisdiction alone, but in the quality of the structure and its implementation.

Investors and advisors should therefore focus on substance, compliance and long-term sustainability when utilising Cyprus companies in international structures.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.