

Why A Cyprus Holding Company Still Makes Sense in Cross-Border Structures

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A Cyprus holding company is commonly used as the top or intermediate entity within an international group, owning shares in operating companies located in other jurisdictions, receiving dividend income, and where relevant facilitating a future disposal of those shareholdings.

This type of structure is not suitable in every case. Its effectiveness depends on the location of the subsidiaries, the nature of their activities, and the tax residence of the ultimate shareholders. Nevertheless, Cyprus continues to be considered a serious jurisdiction for international holding structures, particularly following the recent tax reforms that took effect in 2025–2026.

The function of a holding company in practice

In broad terms, a holding company is intended to:

- ❖ own and manage participations in subsidiaries,
- ❖ receive dividend distributions,
- ❖ enable group financing or restructuring,
- ❖ centralise ownership for succession or investment planning, and
- ❖ provide a structured route for a future exit, subject to applicable tax rules.

The advantages are therefore not purely tax-driven. In many situations, the primary value lies in legal clarity, governance, and flexibility within a multinational group.

Cyprus tax treatment relevant to holding structures (updated for 2026)

As part of the comprehensive reform enacted at the end of 2025, the Cyprus corporate income tax rate increased from 12.5% to 15% with effect from 1 January 2026. Despite this increase, Cyprus remains among the lower corporate tax jurisdictions within the European Union.

Cyprus continues to operate a participation-type exemption framework under which dividend income received from foreign subsidiaries is generally not subject to corporate income tax, provided anti-avoidance conditions are satisfied.

The 2026 reform introduced notable adjustments to dividend taxation in Cyprus, including:

- reduction of Special Defence Contribution on actual dividends received by Cyprus-domiciled individuals from 17% to 5%, and
- abolition of deemed dividend distribution rules for profits generated after 2026.

Cyprus historically imposed no withholding tax on dividends paid to non-residents. However, defensive tax measures introduced in 2025–2026 now apply withholding tax in certain cases involving associated companies in low-tax or blacklisted jurisdictions.

Cyprus continues to provide a favourable regime for gains arising from the disposal of shares, with taxation generally arising only where the shares derive their value from immovable property located in Cyprus.

Structural reasons Cyprus is still used for holding companies

- ✓ Stable and familiar legal system influenced by common-law principles.
- ✓ EU membership and access to directives and double tax treaties (subject to substance and anti-abuse rules).
- ✓ Practical flexibility for group reorganisations, risk separation, and investment planning.

Issues that must be addressed carefully

Authorities and banks increasingly examine where strategic decisions are made, whether directors exercise real oversight, and whether the company demonstrates genuine administration and commercial purpose. Modern structures must comply with documentation requirements, disclosure obligations, and international anti-abuse standards. Even legally valid structures must remain bankable, with transparent ownership and verifiable sources of funds.

The 2025–2026 tax reforms did not eliminate Cyprus's role as a holding-company jurisdiction. Instead, they modestly increased the corporate tax rate, simplified dividend taxation, and introduced targeted anti-avoidance withholding rules aligned with international standards.

In properly structured and well-documented scenarios, Cyprus can continue to function as a credible and practical jurisdiction for cross-border holding companies.

How we can assist

International client consulting with:

- establishment and administration of Cyprus holding companies,
- cross-border group structuring and restructuring,
- governance, substance, and regulatory compliance, and
- coordination with foreign tax and legal advisers in multi-jurisdiction arrangements.

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.