



Cyprus Tax News

Cyprus Tax Authorities issue a letter on Transfer Pricing, increasing the thresholds for Local File requirements.

On 1st February 2024 the Commissioner of Taxation sent a letter to the Institute of Certified Public Accountants of Cyprus, the Cyprus Chamber of Commerce and Industry and the Cyprus Employers and Industrialists Federation informing them that the thresholds for Local File requirements have been increased for the tax year 2022.

Background

As a reminder, the Transfer Pricing (“TP”) rules provide that the aggregate (arm’s length) value of all transactions in a specific category needs to be considered for the purposes of assessing whether the relevant threshold has been exceeded and, therefore, whether the transactions in that category need to be documented in a Local File. Based on the draft Summary Information Table published in Notification 314/2022, the five relevant categories of transactions are: Goods, Services, Rights and other Intangible Assets, Financial Transactions, and Other Transactions.

Changes in thresholds

Increases in the thresholds have been advocated by various stakeholders, but due legal process needs to be followed in order to effect the necessary legislative changes to implement these changes. In the meantime, the Commissioner of Taxation has formally announced in the letter that, for the sake of clarity to taxpayers and their advisors, an increase in the thresholds will apply for the tax year 2022.

The relevant changes to the thresholds for the tax year 2022 are as follows:

- The threshold for the category of financing transactions increases from €750.000 to €5.000.000.
- The threshold for all other categories of transactions increases from €750.000 to €1.000.000.

Impact for taxpayers

The issuance of this letter provides additional clarity to taxpayers in the context of preparing their TP documentation for the tax year 2022 and is expected to reduce the compliance burdens for a number of Cyprus tax resident taxpayers.

It should be noted that for transactions that do not exceed the threshold, documentation is still required but in a simplified format as described in [Circular 6/2023](#). The precise contents of such simplified documentation (e.g. functional analysis and any benchmarking) depends on the type of transaction and whether or not one of the available safe harbours has been opted for. Thus, TP documentation work is still required for transactions that do not exceed the threshold and will include to some extent the type of TP analysis that is contained in a full Local File.

Deloitte can assist clients with their TP documentation requirements, whether in respect of Local Files or simplified TP documentation. We can also assist clients with their TP policies and advise on any other matters that can have an impact on their TP affairs.

[Get in touch](#)

© 2024 Deloitte Limited

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte & Touche (M.E.) LLP (“DME”) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP (“NSE”), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”).

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 130 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 410,000 people make an impact that matters at www.deloitte.com.

Deloitte Limited, a private limited liability company registered in Cyprus (Reg. No. 162812) is the sub-licensed affiliate of Deloitte NSE for Cyprus. Deloitte Limited is among the leading professional services firms in Cyprus, providing audit & assurance, consulting, financial advisory, risk advisory, tax and related services as well as a complete range of services to international business through over 750 people in Nicosia and Limassol. For more information, please visit www.deloitte.com/cy.

Deloitte Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Offices: Nicosia, Limassol

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.