



Cyprus Tax News

Recent developments: Cyprus Parliament voted to approve the Law for the implementation of the EU Pillar Two Directive in Cyprus

On 12 December 2024, the Cyprus Parliament voted to approve the draft domestic bill, entitled *“The Global Minimum Tax Assurance for Multinational Enterprise Groups and Large-Scale Domestic Groups in the Union Act of 2024”*, which transposes the EU Council Directive 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union, known as the EU Pillar Two Directive or the GloBE (Global anti-Base Erosion) Directive.

The law will enter into force as from fiscal years starting on or after 31 December 2023.

The voted legislation regulates, through the application of a series of rules, the imposition of a minimum effective tax rate (“ETR”) of 15% on entities belonging to multinational enterprise groups (“MNEs”) or large-scale domestic groups with annual revenue exceeding EUR 750 million.

The Income Inclusion Rule (IIR) is set to become effective for fiscal years starting on or after 31 December 2023, whereas the Undertaxed Profits Rule (UTPR) would become effective for fiscal years starting on or after 31 December 2024.

The legislation introduces a domestic top-up tax effective for fiscal years starting on or after 31 December 2024.

The Pillar Two background and the main provisions of the new law transposing the EU Pillar Two Directive in Cyprus, detailed in our previous Deloitte alerts posted on [29 December 2023](#) and on [12 October 2023](#), remain unchanged.

Key Takeaways & How can we help?

The text of the law strictly adheres to the text of the EU Pillar Two Directive, with some additions introduced to reflect the OECD Administrative Guidance released subsequently.

Further amendments may be released by the Ministry of Finance in the future to reflect some additional clarifications.

As we move towards the Pillar Two era, businesses will be faced with challenges in connection with impact assessment, data collection and compliance. Deloitte's Pillar Two team offerings combine the deep expertise of Deloitte tax specialists with the analytical power of our technology solution to help companies assess and evaluate the potential implications of Pillar Two on their tax profile.

Any group falling within the scope of the Pillar Two rules should assess the potential impact these new measures might have on their operations and start preparing to face additional operational and compliance obligations.

Deloitte is ready to support with:

Pillar Two impact assessment

Our unparalleled expertise enables us to effectively support you, amongst others, with respect to the following:

- Evaluation of the applicability of Pillar Two to define whether a particular group would be considered within the scope of the rules and impact analysis to determine the high-risk subsidiaries, based on their location.
- High-level safe harbour testing based on CbCR.
- High-level quantitative impact assessment and calculation of top-up tax due.
- High-level comments on the available elections.
- Evaluation of the potential for substance-based income exclusions, which allow for a reduction in the amount of income subject to the top-up tax based on tangible assets and payroll.
- Scenario planning and tax restructurings.

Pillar Two compliance process & technologies

Deloitte's Pillar 2 Agent ("P2A"), an exceptional tool developed by Deloitte Global to provide comprehensive compliance support for global organizations, offers an end-to-end solution, encompassing data collection, validation, submission, and reporting, all facilitated through a single cloud-based technology platform.

Main features and benefits –

- ✓ One-stop-shop – the tool can be used trouble less from safe harbour assessments and accruals, forecasts, and complex calculations, up to compliance, on a jurisdictional basis and by using scenarios.
- ✓ Automated or manual data collection and import.
- ✓ Clear and friendly user interface.
- ✓ Calculations updated for all aspects of Pillar Two compliance.
- ✓ Quick and efficient overview of the key Pillar Two elements.
- ✓ GloBE Information Return filing.
- ✓ Constant support by tax specialists with using the tool with a view to address uncertainties and challenges.

Get in touch



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