



Cyprus Tax News

Proposed tax law amendments from the Cyprus Tax Reform Team

On Wednesday **26th of February 2025**, the **proposals** of the Tax Reform Team, led by the Center of Economic Research of the University of Cyprus, were presented to key stakeholders at the Presidential Palace.

The proposals are expected to be available for public consultation and will subsequently be submitted to the Council of Ministers for approval. For a proposal to be effective, it will have to be voted by the Parliament.

We note below some of the key proposals presented:

PROPOSED AMENDMENTS

Corporate Income Tax Rate

- Increase the corporate income tax rate from 12.5% to 15% for all companies.

Special Defence Contribution (SDC)

- Reduce the SDC rate applicable on dividends earned by Cyprus tax residents and domiciled individuals to 5% (from 17%).
- Abolish the current deemed distribution rules.
- Abolish the application of SDC on rental income.

Green Transition and Digital Transformation

- Introduce incentives for green transition and digital transformation in the form of:
 - super deduction for expenses claimed / capital allowances;
 - Accelerated depreciation;
 - Deductions for personnel training;
 - carry forward of related losses without time restriction.

Personal Income Tax

- Adjust the taxable bands as follows:

| Taxable Income € | Personal income Tax rate |
|------------------|--------------------------|
| Up to 20.500 | 0% |
| 20.501 – 30.000 | 20% |
| 30.001 – 40.000 | 25% |
| 40.001 – 80.000 | 30% |
| Over 80.000 | 35% |

- Introduce personal income tax deductions for:
 - parents with children / students based on income criteria;
 - individuals in respect of housing loans for their primary residence or rent payments;
 - families for green household upgrades.

Stock Options

- Tax the employee on the benefit but at a rate lower than the personal income tax rates, once the option becoming exercisable (subject to conditions).

Ex-gratia payments

- Tax the employee on the benefit subject to a capped tax-free amount and provide a tax deduction for the employer.

Golden Hellos / Handshakes

- Tax the employee on the benefit and provide a tax deduction for the employer.

Personal tax residency under the “60-days” rule:

- Extend the criteria to individuals who have Cyprus as their “center of business interests”, irrespective of number of days spent in Cyprus.

Losses

- Extend the period for carried forward of losses from 5 to 10 years (subject to restrictions).

Insurance companies

- Abolish the insurance premium tax.

Stamp Duty

- Limit the application of stamp duty to agreements related to immovable property, banking and insurance transactions.

NO AMENDMENTS EXPECTED

It is noted that the Tax Reform Team does not propose any changes to some of the most favourable provisions of the Cypriot tax legislation, including:

- The Notional Interest Deduction;
- The Intellectual Property (IP) Box Regime;
- The Tonnage Tax Regime;
- The 50% personal income tax deduction for first employment in Cyprus and
- The exemption from special contribution for defence tax provided to Cyprus tax residents non-domiciled individuals.

We remain available to proactively discuss with you how the above proposed measures may impact you or your business

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