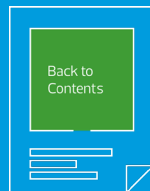


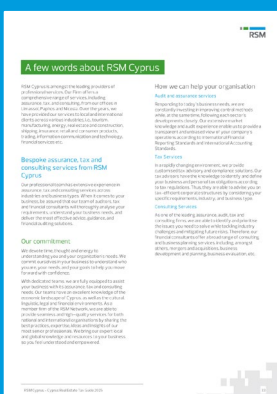
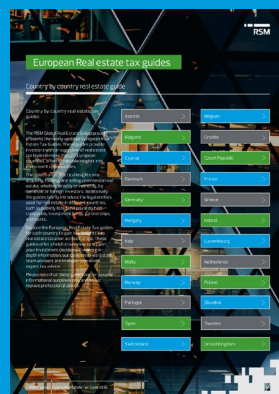
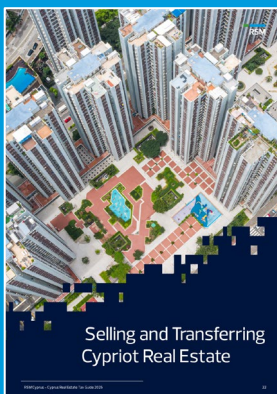
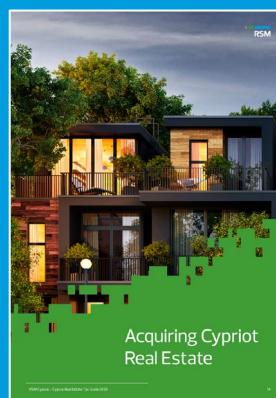
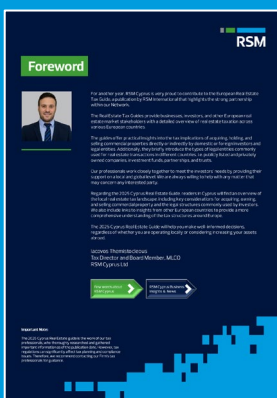
Cyprus Real Estate Tax Guide 2025

RSM Cyprus Ltd | May 2025



Contents

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Foreword



As in previous years, RSM Cyprus is proud to contribute to the European Real Estate Tax Guide, a publication by RSM International that highlights the strength of our network partnership.

The Real Estate Tax Guides provide businesses, investors, and other European real estate market stakeholders with a detailed overview of real estate taxation across various European countries.

The guides offer practical insights into the tax implications of acquiring, holding, and selling commercial properties directly or indirectly by domestic or foreign investors and legal entities. Additionally, they briefly introduce the types of legal entities commonly used for real estate transactions in different countries, i.e. publicly listed and privately owned companies, investment funds, partnerships, and trusts.

Our professionals work closely together to meet the investors' needs by providing their support on a local and global level. We are always willing to help with any matter that may concern any interested party.

Regarding the 2025 Cyprus Real Estate Guide, readers in Cyprus will find an overview of the local real estate tax landscape, including key considerations for acquiring, holding, and selling commercial property and the legal structures commonly used by investors. We also include links to insights from other European countries to provide a more comprehensive understanding of the tax frameworks around Europe.

The 2025 Cyprus Real Estate Tax Guide will help you make well-informed decisions, regardless of whether you are operating locally or considering increasing your assets abroad.

Iacovos Themistocleous
Tax Director and Board Member, MLCO
RSM Cyprus Ltd

Few words about
RSM Cyprus



RSM Cyprus Business
Insights & News



Important Note:

The 2025 Cyprus Real Estate Tax guide is the work of our tax professionals, who thoroughly researched and gathered important information as of the publication date. However, tax regulations can significantly affect tax planning and compliance issues. Therefore, before proceeding with any decision, we highly recommend contacting our Firm's tax professionals for guidance.



Overview of Cyprus Real Estate

Rental income and capital gains of Cypriot Real Estate

Taxpayer	Basis of tax	Tax levied	Tax rates (2025)
Resident Individual	Rental Income	Individual Income Tax	20% – 35%*
		Special Defence Contribution	3% on the 75% of rental income i.e. 2.25%
		GHS Contribution	2.65%
	Capital Gains	Capital Gains	20%
Non-Resident Individual	Rental Income	Individual Income Tax	20% – 35%*
		Special Defence Contribution	Not applicable
		GHS Contribution	2.65%
	Capital Gains	Capital Gains	20%
Resident Company	Rental Income	Corporation tax	12.5%
		Special Defence Contribution	3% on the 75% of rental income i.e. 2.25%
	Capital Gains	Capital Gains	20%
Non-Resident Company	Rental Income	Corporation tax	Not applicable
		Special Defence Contribution	Not applicable
	Capital Gains	Capital Gains	20%

* The first €19,500 of the gross income is tax-free for income tax calculation purposes.

Rental income



Introduction

Rental Income is taxed as part of an individual's ordinary private or business income.

Liability to tax

Rental income received by individuals is subject to individual income tax and Special Defence Contribution.

Special Defence Contribution (SDC) is a local tax of Cyprus, applicable to Cyprus tax resident individuals and companies only and applies only on dividend income, passive interest income and rental income. Cyprus tax resident individuals should also be domiciled in Cyprus to be subject to SDC.

The rental income earners are also subject to GHS contributions at 2.65%, irrespective of whether they are Cyprus tax residents or not. In the case of non-resident individuals, they are taxed on Cyprus-sourced income.

Basis to tax

When the rental income is received either from another individual or a company, for residential or business purposes, it is subject to individual income tax rates. The Cypriot tax system furnishes the taxpayer with some deductions, i.e. 20% of the gross rental income and the whole amount of interest related to the acquisition of the rented property.

Referring to Special Defence Contribution, for rental income generated where the tenant is a Cyprus Company, SDC is withheld at source and is payable at the end of the month following the month in which the rental income is earned. In all other cases, the SDC on rental income is payable by the lessor in 6 monthly intervals on 30 June and 31 December each year. The same conditions apply for GHS contributions.

Rental income and capital gains of Cypriot Real Estate



Companies

Introduction

Rental income is taxed as business or as passive income. Rental income can be considered as business income in cases where the taxpayer operates in the industry of immovable properties i.e. developing real estate and rental income is received through subsequent letting of the real estate. Rental income can be considered as passive income in cases where the taxpayer does not receive rental income as part of its main corporate activities.

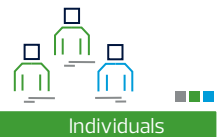
Liability to tax

Rental income earned by companies is subject to both corporation tax and Special Defence Contribution.

Basis to tax

Business income is taxed at 12.5%.

Passive income is taxed with SDC at the rate of 3% after the deduction of 25% of the gross rental income i.e. effective tax rate is 2.25%.



Individuals

Capital Gains

Introduction

Capital Gains can be generally subject to both personal income tax and Capital Gains Tax, subject to the conditions below.

Liability to tax

Capital Gains are subject to personal income tax if the individual is a tax resident in Cyprus and if it is proved that the sale was executed as part of the individual's regular trading activities.

However, capital gains are subject to Capital Gains Tax if the sale is not part of trading activities. Capital Gains Tax applies irrespective if the individual is a resident or not.

Basis of tax

Capital gains are subject to personal income tax if it can be proved that the transaction is one or a series of trading transactions. In such a case, the applicable rates will be from 20%–35%. Incomes up to €19,500 are tax-free.

In all other cases, capital gains are subject to Capital Gains Tax at 20% on the gains arising from the disposal of a chargeable property. Chargeable property is a property situated in the Republic of Cyprus or shares in a company owning an immovable property situated in Cyprus.



Companies

Introduction

Capital gains can be taxed under corporation tax or under Capital Gains Tax, subject to conditions.

Liability to tax

Capital Gains are subject to Corporate tax if the Company is a tax resident in Cyprus and if it is proved that the sale was executed as part of the Company's regular trading activities.

Basis of tax

Capital gains are subject to Corporate tax if it can be proved that the transaction is one or a series of trading transactions. In such a case, the applicable rate is 12.5%.

In all other cases, capital gains are subject to Capital Gains Tax at 20% on the gains arising from the disposal of a chargeable property.

Cyprus VAT and Transfer Taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2025)
Resident Individual	Rental Income	Value Added Tax	19%
	Transfer of Real Estate*	Value Added Tax	19%
		Transfer Fees	3%, 5%, 8%
		Levy on the sale of immovable property	0.40%
Non-Resident Individual	Rental Income	Value Added Tax	19%
	Transfer of Real Estate*	Value Added Tax	19%
		Transfer Fees	3%, 5%, 8%
		Levy on the sale of immovable property	0.40%
Resident Company	Rental Income	Value Added Tax	19%
	Transfer of Real Estate*	Value Added Tax	19%
		Transfer Fees	3%, 5%, 8%
		Levy on the sale of immovable property	0.40%
Non-Resident Company	Rental Income	Value Added Tax	19%
	Transfer or Real Estate*	Value Added Tax	19%
		Transfer Fees	3%, 5%, 8%
		Levy on the sale of immovable property	0.40%

*Normally, a sale of real estate which does not qualify as a new immovable property is not subject to VAT. VAT is charged when the real estate qualifies as new immovable property, or the risks and rewards of ownership are transferred (see below).

Value Added Tax

Individuals



Introduction

Value-added tax is a tax based on the supply of goods and on the provision of services within Cyprus, as well as on the acquisition of goods from Member States of the EU and importation of goods from third countries.

Through the relevant legislation, taxable persons charge VAT on their taxable supplies (output tax) and are charged by other taxable persons with VAT on goods and services they receive (input tax). Where output tax is in excess of the input tax, a VAT tax liability is created, and a payment is due to the VAT authorities. If the opposite stands, then a credit is created and either it is set off against future VAT tax liabilities or an immediate refund to the taxpayer takes place.

Liability to tax

Rental income and the supply of real estate and non-developed buildable land are subject to Cyprus VAT, subject to conditions.

Basis of tax

Rental income

Generally, the lease of immovable property for residential purposes is exempt from VAT. However, VAT at the standard rate of 19% must be charged on the lease of immovable property when the lessee is a taxable person and is engaged in taxable activities by at least 90%.

Sale of real estate

Normally, a sale of real estate which does not qualify as a new immovable property is not subject to VAT. However, VAT is charged when the real estate qualifies as new immovable property, or the risks and rewards of ownership are transferred. "New" immovable properties are those which are supplied for first use. A new immovable property is not:

- A property that was leased or rented out.
- Self-occupied.
- A transformed, converted, renovated building.

Provided that an immovable property is supplied as a "new" immovable property, a reduced VAT rate of 5% is eligible to any citizen (Cypriot or not), who acquires such property with the intention to use this as their primary permanent place of residence in Cyprus.

However, this is subject to the following conditions.

The reduced rate is imposed only after obtaining a certified confirmation.

The eligible person must submit an application which will state that the house will be used as the primary and permanent place of residence.

The applicant must attach several documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence.

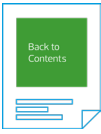
The application must be filed prior to the actual delivery of the residence to the eligible person.

As of 8 June, 2012 eligible persons include residents of non-EU Member States, provided that the residence will be used as their primary and permanent place of residence in the Republic.

The documents supporting the ownership of the property must be submitted together with the application. The documents supporting the fact that the residence will be used as the primary and permanent place of residence (copy of telephone, water supply, or electricity bill or of municipal taxes) must be submitted within six months from the date on which the eligible person acquires possession of the residence.

In cases where persons who cease using the residence as their primary residence before the lapse of the 10 years, must notify the Tax Commissioner within a period of 30 days. In such cases, the person must pay the difference between the reduced rate and the standard rate of VAT attributable to the remaining period of 10 years, during which the property will not be used as a primary residence.

The lessor has the irrevocable right to opt not to impose VAT on the specific property.



Value Added Tax

Sale of non-developed building land

As of 2 January 2018, the sale of a non-developed building land attracts VAT at the standard rate of 19%. The definition of non-developed land includes land intended for being used in carrying out business activities. VAT does not apply on the purchase or sale of land which is located in livestock zones or areas which are not intended for development.

Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As from 1 January 2019, leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the standard rate.

Interaction with transfer tax

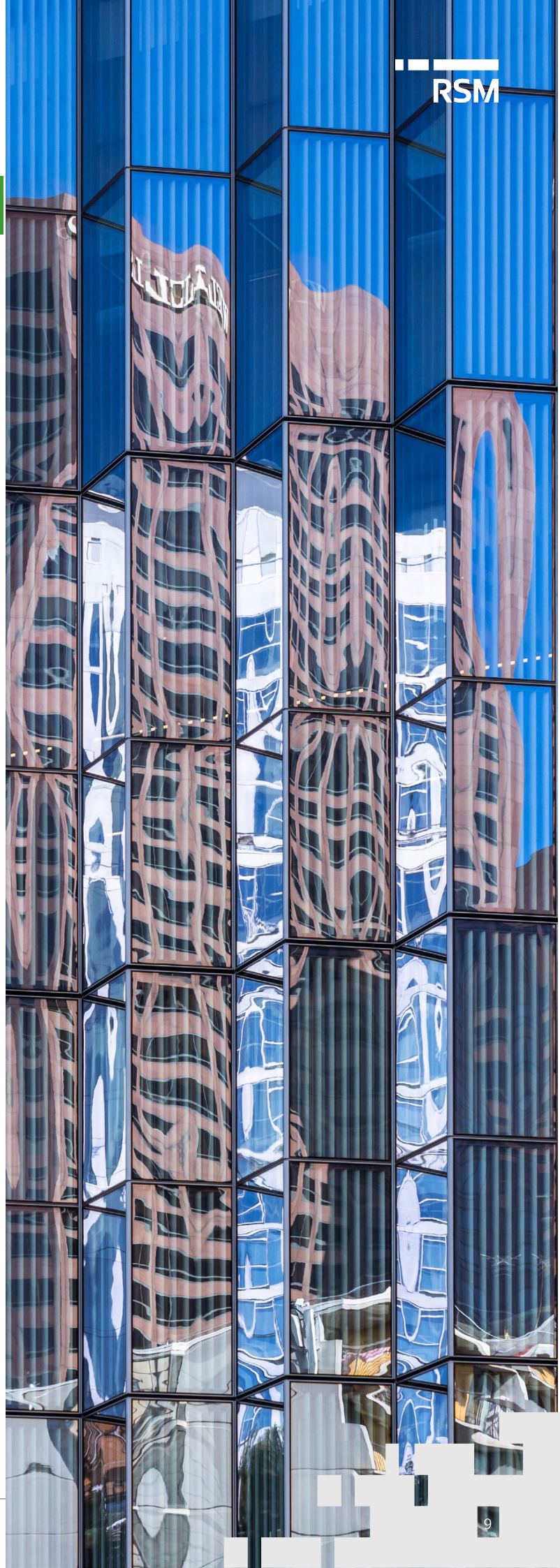
On transactions of immovable property on which VAT has been imposed, no transfer fees apply.

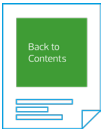
On acquisitions of properties that are not subject to VAT, a 50% discount on transfer fees is allowed.



Companies

The same rules as for individuals apply.





Transfer Taxes

Individuals

Introduction

The department of land and surveys charges the acquirer of the immovable property transfer fees on the transfer of the ownership of immovable property.

Liability to tax

The transfer fees are due when the transfer of the Title Deed in the name of the Purchaser takes place. The Purchaser is solely responsible for the payment of the Transfer Fees. The rates are on a graduated scale.

Basis of tax

The value of the immovable property is taxed at 3%/5%/8%, based on the value of the property on a scale. 'Value' in these cases refers to market values as of 1 January 2013 as these were estimated by the Department of Land and Surveys.

Exemptions

In the case of companies' reorganisations, transfers of immovable property are not subject to transfer fees.

Interaction with VAT

On transactions of immovable property on which VAT has been imposed, no transfer fees apply.

On acquisitions of properties that are not subject to VAT, a 50% discount on transfer fees is allowed.

Companies

The same rules as for individuals apply.

Levy on the sale of immovable property



Introduction

In accordance with the amendments of the Central Agency for the Equal Distribution of Burdens Law, a levy of 0.40% is payable to the Tax Department. The Central Agency for the Equal Distribution of Burdens Law was enacted following the acknowledgment of the need to assist Cyprus refugees who were forced to leave their properties following the Turkish invasion of 1974.

Liability to tax

The levy is due when the transfer of real estate takes place. The Seller is solely responsible for the payment of the levy, subject to conditions.

Basis of tax

The levy applies upon:

- The transfer of immovable property situated in the Republic, or
- Disposal of shares in a Company not listed on a Stock Exchange, which directly or indirectly owns immovable property situated in Cyprus, for which a recorded general valuation exists under a General Valuation and Revaluation Survey.

The calculation of the levy differs accordingly:

- In the case of immovable property transfer, the levy is calculated on the sale amount; and
- In the case of disposal of shares, the levy is calculated on the latest general valuation of the property attributed to the shares disposed.



The same rules as for individuals apply.

Cyprus Local Taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2025)
Resident Individual	Market value	Local Authority Fees	Depend on the municipality
		Municipality Tax	
		Sewage Tax	
Non-Resident Individual	Market value	Local Authority Fees	Depend on the municipality
		Municipality Tax	
		Sewage Tax	
Resident Company	Market value	Local Authority Fees	Depend on the municipality
		Municipality Tax	
		Sewage Tax	
Non-Resident Company	Market value	Local Authority Fees	Depend on the municipality
		Municipality Tax	
		Sewage Tax	

Introduction

Every municipality levies annual local authority fees, municipality taxes and sewage taxes. Every municipality determines the value of such taxes.

Liability to tax

All registered owners of immovable properties in Cyprus are required to pay on an annual basis the local authority fees, municipality taxes and sewage taxes.

Basis of tax

Local authority fees

Depending on the size of the property, local authorities charge between €85 – €500 per annum for regular refuse collection, street lighting, sewerage and similar community services. Communal Services fees are payable to the local municipal authority.

Municipality tax

As the registered owner of the property, each property owner is required to pay an annual Municipality Tax, calculated on the market value of the property as of 1st of January 2013. Rates vary from 1% – 2%. Municipality tax is payable to the local municipal authority.

Sewerage tax

As the registered owner of the property, each property owner is required to pay an annual Sewerage Tax, calculated on the market value of the property as at 1st of January 2013. Rates vary from 0.5% – 3%. Sewerage taxes are payable annually to the local sewerage board.

Cypriot Net Wealth/worth taxes

There is no net wealth/worth tax for individuals or companies owning real estate in Cyprus.

Vehicles for Cyprus real estate

Commonly used vehicles for Cyprus real estate

Corporate entity

Limited liability companies are the most frequently used vehicle for owning Cyprus real estate.

The equity is divided into shares, and the shareholders are not personally liable for business debts.

Companies that are considered Cyprus tax residents are taxed on their annual income accrued and derived from all taxable sources in Cyprus and abroad.

A company is considered a Cyprus tax resident if its management and control are exercised in Cyprus. The corporation tax rate for all companies is 12.5%. In cases where foreign taxes are paid, these can be credited against the ultimate tax liability in Cyprus.

Shareholders are taxed based on their individual tax residency status. In case where the shareholders are Cyprus tax residents, i.e. if they spend more than 183 days in a calendar year, they are subject to personal income tax rates in Cyprus of 20%–35%.

Dividend income is exempted from Cyprus personal income tax. However, such income is taxed under Special Defence Contribution if and only if the shareholder is considered both a Cyprus tax resident and domiciled in Cyprus.

For Special Defence Contribution purposes, a person is considered domiciled in Cyprus via domicile of origin (acquired at birth) or domicile of choice (indication of an intention of permanent residence). In cases where the taxpayer resides in Cyprus at least 17 out of the 20 years immediately prior to the tax year of assessment, this person is considered domiciled in Cyprus.

Partnership

Partnerships is not a frequently used vehicle for holding real estate in Cyprus.

The final taxable income which is calculated for such type of business form is attributed to each individual partner in accordance with the partnership agreement regarding the distribution of profits. Therefore, each partner is taxed based on the personal taxation rates as mentioned above.

Joint ventures

A Joint Venture can be a company or partnership, and its tax treatment will follow the same principles as that of its underlying structure.

A joint venture is normally a cooperative enterprise entered into by two or more business entities to accomplish a specific project or other business activity. The reason for a joint venture is usually a specific construction project. It is not usual in Cyprus to use a Joint Venture to generate rental income.

Trusts

A legal arrangement whereby the owner (settlor) of an immovable property situated anywhere places such property under the management and control of a trustee.

The trustee administers the said property for the benefit of the beneficiaries, so the trust's benefits belong to the beneficiaries and not to the trustee.

The income of a Trust is assessed in the name of the Trustee who acts as a representative of the beneficiaries.

Since the beneficiaries are entitled to the Trust's income, they are also entitled to tax on that income. Therefore, the trustee is responsible for distributing the income to the beneficiaries net of any Cypriot tax.

The taxation of the income of a Trust depends on the tax residency of the beneficiaries and where the income comes from.

The beneficiaries are entitled to all the tax exemptions and deductions relating to their income as if they were receiving the income directly.

The normal rules of Cyprus taxation apply to all residency statuses, e.g., Cyprus tax resident and domiciled individual, Cyprus tax resident and not domiciled individual, Non-Cyprus tax resident individual, Cyprus tax resident company, and Non-Cyprus tax resident company.

The tax residence of the trustee is irrelevant to the determination of the taxability of the Cyprus Trust Income.

Specific real estate vehicles for Cyprus real estate

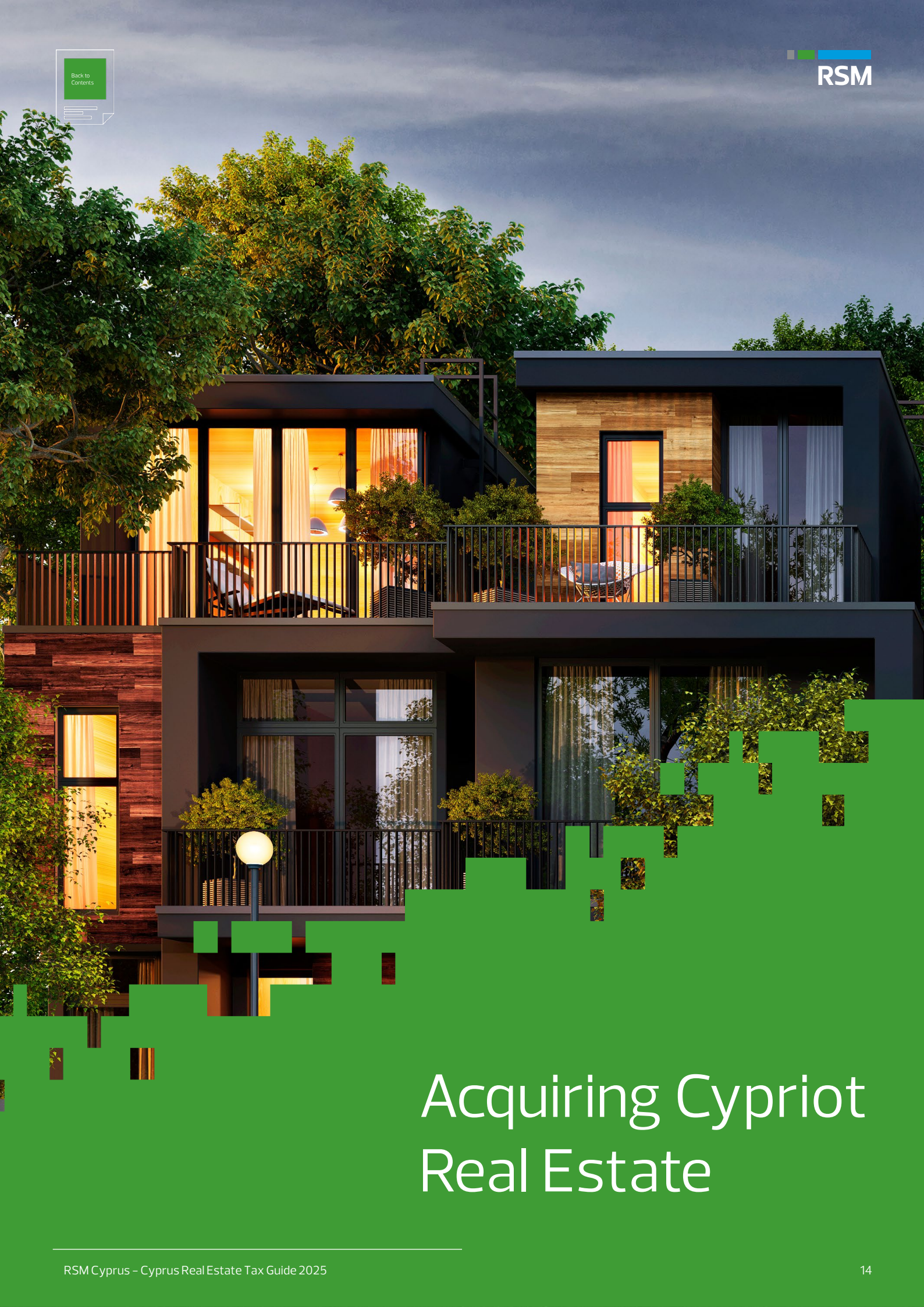
Real Estate Alternative Investment Funds

There are Cyprus real estate funds whose investment portfolios will comprise rental properties, and whose units will be offered predominantly to foreign real estate investors.

Funds whose management and control is exercised in Cyprus are considered tax residents and are subject to taxation in Cyprus.

In cases where the funds have compartments, each compartment is taxed separately.

No Capital Gains Tax applies on the sale or redemption of units in funds unless the funds own immovable property in Cyprus. However, if a fund owns the immovable property, no Capital Gains Tax applies if this fund is listed on a recognised stock exchange.



Acquiring Cypriot Real Estate

Direct Purchase of Real Estate

This paragraph discusses the most important tax implications of the direct purchase of real estate.

It discusses the impact on resident individuals and non-resident individuals, and then the impact on resident companies and non-resident companies.

Resident individuals

Transfer Taxes

Real Estate Transfer Fees are imposed by the Land Registry Office to transfer freehold ownership to the name of the Purchaser. The transfer fees are due for payment when the transfer of the Title Deed in the name of the Purchaser takes place. The Purchaser is solely responsible for the payment of the Transfer Fees. The rates are on a graduated scale.

Transfer fees do not apply to real estate transactions on which VAT has been imposed. A 50% discount is provided on acquisitions of properties that are not subject to VAT. In the case of company reorganisations, transfers of immovable property are not subject to transfer fees.

Value-added tax

As a main rule, the acquisition of real estate on resale terms is exempt from VAT.

However, the acquisition of a new immovable property is subject to a standard VAT rate of 19%. "New" immovable properties are those which are supplied for first use.

As of 1 October 2011, contracts conducted that relate to acquisitions and/or constructions of residential properties to be used as the primary place of residence of any citizen (Cypriot or not) attract a reduced VAT rate of 5%. The residents shall prove that they intend to stay there for at least the next 10 years.

In such cases, the reduced rate of 5% applies to the first 200 square meters of the residence's buildable area. In cases where the residence is more than 200 square meters, the standard rate applies to the remaining.

As of 8 June 2012, even residents of non-EU Member States are eligible persons, provided that the residence will be used as their primary and permanent place of residence in the Republic.

Stamp duty

In the case of a real estate acquisition, the acquirer is required to pay Stamp Duty on the contract at a rate between 0% and 2%.

Non-resident individuals

The non-resident individuals are treated in the same manner as the resident individuals.

Resident companies

Transfer Taxes

The same rules as for resident individuals apply.

Value-added tax

The acquisition of new real estate is subject to a standard VAT rate of 19%. The reduced rate of 5% as described for resident individuals is not applicable to companies.

Non-Resident companies

Transfer Taxes

The same rules as for resident companies apply.

Value-added tax

The acquisition of new real estate is subject to a standard VAT rate of 19%, and the acquirer is liable to pay the VAT.

Indirect Purchase of Real Estate

This paragraph discusses the most important tax implications of the indirect real estate purchase.

It discusses the impact on resident individuals and non-resident individuals first, and then on resident companies and non-resident companies.

Resident individuals

Transfer taxes

No rules apply for transfer taxes when a purchase of real estate is executed indirectly.

Personal income tax

No rules apply for personal income taxes when a purchase of real estate is executed indirectly.

Dividend withholding tax

No rules apply for dividend withholding tax when a purchase of real estate is executed indirectly.

Non-resident individuals

The same rules as for the resident individuals apply.

Resident companies

The same rules as for resident individuals apply.

Non-Resident companies

The same rules as for resident companies apply.

Holding Cypriot Real Estate

Direct Holding of Real Estate

This section discusses the most important tax implications of the direct holding of real estate.

It discusses the impact on resident individuals and non-resident individuals first, and then on resident companies and non-resident companies.

Resident individuals

Personal Income tax

Income derived from real estate, such as rental income, is subject to personal income tax up to 35%, Special Defence Contribution (if the resident individual is also domiciled in Cyprus) at a rate of 3% on 75% of rental income, and contributions to the General Health System at a rate of 2.65%.

Deductibility of costs, interest, and depreciation

A 20% discount on gross rental income, capital allowance costs, interest costs, and maintenance costs are deductible from rental income. Capital allowances are prescribed fixed rates of depreciation: 3% straight line for commercial buildings and 4% straight line for industrial buildings. Land is excluded.

Repairs and renovations on private residences

Private residence repairs and renovations enjoy a reduced 5% VAT, which applies to all residences that necessarily need to be repaired or renovated.

There is a condition, though, that a period of 3 years has lapsed from the first day the residence was used. In cases where the value of the materials intended to be used in the renovation and repair works exceeds by more than 50% the value of the services, then the value of these materials is subject to the standard VAT rate.

As of 20 August 2020, it also applies to such services provided for the purposes of making additions to private residences.

Losses – carry back/forward

There is no possibility for carry back/forward.

Non-resident individuals

Non-resident individuals are treated in the same way as resident individuals.



Direct Holding of Real Estate (cont.)

Resident companies

Corporate income tax

Business income, such as rental income, is subject to corporate income tax. Profits are taxed at the corporate income tax rate of 12.5%. The Special Defence Contribution also applies at the rate of 3% on 75% of the gross rental income.

Deductibility of costs, interest and depreciation

Capital allowances are granted, and interest paid on the acquisition of the rented property is also allowed.

A company can deduct all expenses attributed to the generation of the rental income to the extent that such expenses are related to the rental income (i.e. repairs and maintenance).

Anti-tax avoidance directive

The Anti-Tax Avoidance Directive (ATAD) is a directive published by the OECD that will be implemented by European countries.

Cyprus also incorporated the Directive in its domestic legislation. It has already implemented interest limitation rules for loans from low-tax jurisdictions. In 2020, Cyprus voted into law the Exit Taxation rules and Hybrid Mismatch Rules as part of the Country's harmonisation with the OECD's Anti-Tax Avoidance Directive.

Losses – carry back/forward

Losses that cannot be set off against other income in a tax year are carried forward and set off against tax-adjusted profits for the next 5 years. Losses cannot be carried back.

The loss of one company can be set off against the profits of another company, provided the two companies are Cyprus tax residents of a "tax group".

A group is formed if:

- A Cyprus tax resident company directly or indirectly holds at least 75% of the voting rights of another Cyprus tax resident company, or
- Both companies are at least 75% owned by a third company.

As of 1 January 2015, the interposition of a non-Cyprus tax-resident company will not affect its eligibility for group relief if it remains tax resident in either an EU state or a country with which Cyprus maintains a tax treaty or a bilateral or multilateral agreement for information exchange.

Non-Resident companies

Non-resident companies are taxed on their Cyprus-source income only.

Rental income received in Cyprus for a non-resident company is computed in the same way as for resident companies. It is also taxed at the same rate of corporation tax as the income of the resident companies, i.e. 12.5%.

Special Defence Contribution does not apply to non-resident companies.

Indirect Holding of Real Estate

This paragraph discusses the most important tax implications of the indirect (shares) holding of real estate.

It discusses the impact on resident individuals and non-resident individuals first, and then on resident companies and non-resident companies.

Resident individuals

Personal income tax

Individuals who hold shares in a Cyprus company may receive dividend income. Dividend income is not taxable for personal income tax.

Special Defence Contribution

Dividends are subject to Special Defence Contribution at 17% for individuals who are also domiciled in Cyprus.

Non-resident individuals

Personal income tax

No personal income tax applies to non-resident individuals. The dividend income is not taxable in Cyprus.

Special Defence Contribution

The Special Defence Contribution applies only to taxpayers who are both tax residents and domiciled in Cyprus. A non-resident individual is thus not subject to the Special Defence Contribution.

Resident companies

Corporate income tax

As well as resident individuals, the dividend income for resident companies is not taxable for corporate income tax.

Special Defence Contribution

The actual dividend income received from another Cyprus tax resident company is not subject to the Special Defence Contribution.

The same applies in case dividend income is received from a non-resident company. However, if the dividend falls under the non-exemption rule, the Special Defence Contribution applies.

The non-exemption rule is as follows.

Exemption from Special Defence Contribution does not apply if:

- The paying company engages directly or indirectly, more than 50% of activities that lead to investment income, and
- The foreign tax burden is significantly lower than that of Cyprus. Significantly lower means an effective tax rate lower than 6.25% on the profit distributed

Anti-Tax Avoidance Directive

The Anti-Tax Avoidance Directive (ATAD) is a Directive published by the OECD that European countries have implemented.

Cyprus also incorporated the Directive in its domestic legislation.

Cyprus has already implemented interest limitation rules for loans from low tax jurisdictions. During 2020, Cyprus voted into law the Exit Taxation rules and Hybrid Mismatch Rules, as part of the Country's harmonisation with the OECD's Anti-Tax Avoidance Directive.

Fiscal unity

The loss of one company can be set off against the profits of another company, provided the two companies are Cyprus tax residents of a "tax group". A group is formed if:

- A Cyprus tax resident company directly or indirectly holds at least 75% of the voting rights of another Cyprus tax resident company, or
- Both companies are at least 75% owned by a third company

As of 1 January 2015, the interposition of a non-Cyprus tax resident company will not affect its eligibility for group relief if such a company remains tax resident in either an EU state or in a country with which Cyprus maintains a tax treaty or a bilateral or multilateral agreement for information exchange.

Non-Resident Companies

Non-resident companies are taxed only on their Cyprus-source income. Rental income received in Cyprus for a non-resident company is computed in the same way as for resident companies. It is also taxed at the same rate of corporation tax as the income of the resident companies, i.e. 12.5%.

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Selling and Transferring Cypriot Real Estate

Direct Sale of Real Estate

Resident individuals

Capital gains

The factors behind the sale of a real estate need to be analysed. If the individual is considered to be a trader, then income tax applies at the progressive tax system (up to 35%).

If the individual is considered not to be a trader, then capital gains tax at 20% applies.

Levy on the sale of real estate

Upon the transfer of the real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department.

With respect to a direct transfer of real estate, the levy applies to the sale amount.

VAT/transfer tax

As a rule, the supply of immovable property on resale terms is exempt from VAT.

However, the supply of new immovable property is subject to VAT at the standard rate of 19%. "New" immovable properties are those which are supplied for first use.

Leases of immovable property attract VAT at the standard rate of 19% when the lessee is a taxable person and is engaged in taxable activities by at least 90%.

The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.

Sale of non-developed building land

As of 2 January 2018, sales of non-developed building land attract VAT at the standard rate of 19%. Non-developed land is land intended for the construction of one or more structures that should be used in carrying out a business activity.

VAT does not apply to purchases or sales of land located in livestock zones or areas not intended for development.

Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As of 1 January 2019, leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are supplies of goods. They also become subject to VAT at the standard rate.

Transfer fees do not apply on transactions of real estate on which VAT has been imposed.

A discount of 50% is provided on acquisitions of properties that are not subject to VAT.

In the case of companies' reorganisations, transfers of immovable property are not subject to transfer fees. The Purchaser is solely responsible for the payment of the Transfer Fees. The rates are on a graduated scale.

Losses

Losses incurred on the sale of real estate by an individual who does not carry out business in trading real estate are not taken into consideration for tax purposes.

However, losses made by an individual who carries out business as a sole trader are included in the personal tax return of the individual and set off against any other taxable income. Any losses that have not been set off can be carried forward for 5 years.

Non-resident individuals

Non-resident individuals are treated in the same way as resident individuals.

Direct Sale of Real Estate (cont.)

Resident Company

Capital gains

As well as with individuals, the factors behind the sale of real estate need to be analysed. If the company is trading in real estate as a business activity, then corporation tax applies at the rate of 12.5%.

Otherwise, capital gains tax at 20% applies.

Levy on the sale of real estate

As with individuals, upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department. In respect of a direct transfer of real estate, the levy applies to the sale amount.

VAT/transfer taxes

The same rules apply to resident individuals.

Deferral of tax/reinvestment reserve

Not applicable.

Losses

Losses incurred once the company undertakes business activities can be carried forward for the next five years.

If the company is not considered to be undertaking trading activities on real estate, any capital losses can be set off against future capital gains with no year restriction.

Non-Resident Companies

Companies that are not tax residents in Cyprus are subject to taxation in the Republic for any Cyprus-sourced business income or from any income generated through a Permanent Establishment (PE) maintained in Cyprus.

Any PE profits may include profits generated in Cyprus and/or any foreign profits relating to that PE.

A PE of a non-resident company is treated as a separate entity and is allowed all the tax allowances and deductions applicable to Cyprus-registered entities.

The definition of PEs in the Cyprus Income Tax Law follows the definition provided by the OECD Model Tax Convention, Article 5, Permanent Establishment.

Cyprus Income Tax Law defines a Permanent Establishment as:

- a. A fixed place of business through which the business of an enterprise is wholly or partly carried on.
- b. The term especially includes:
 - i. A place of management;
 - ii. a branch;
 - iii. an office;
 - iv. a factory;
 - v. a workshop; or
 - vi. a mine, an oil, and gas well, a quarry, or any other place of extraction of natural resources.

A PE is not a fixed place where preparatory or auxiliary services are carried out.

A non-resident company or a PE of a non-resident company trading in real estate as its business activity in Cyprus will be subject to a normal corporation tax of 12.5% for any taxable profits generated in the Republic.

Otherwise, any capital gains generated by selling real estate under non-trading conditions are subject to a 20% Capital Gains Tax.

Indirect Sale of Real Estate

Resident individuals

Capital gains

The sale of shares in a company that owns real estate in Cyprus is subject to 20% capital gains tax.

Levy on the sale of real estate

Upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department.

in respect of an indirect transfer of real estate, the levy is calculated on the latest general valuation of the property attributed to the shares disposed.

Special Defence Contribution

Dividends are subject to Special Defence Contribution at 17%.

VAT / Transfer Tax

No VAT implications exist. Neither transfer taxes apply on the sale of shares.

Non-resident individuals

The non-resident individuals are treated in the same manner as resident individuals.

Resident Company

Capital gains

The sale of shares in a company that owns real estate situated in Cyprus is subject to capital gains tax at the rate of 20%.

The sale of shares is not subject to corporation tax in Cyprus.

Additionally, the dividend income to be received from the profits earned from the sale of real estate is exempt from both corporation tax and Special Defence Contribution.

VAT/ Transfer Tax

No VAT implications exist. Neither transfer taxes apply on the sale of shares.

Non-Resident Companies

The sale of shares in a company that owns real estate in Cyprus is subject to 20% capital gains tax.

Sale of shares are not subject to corporation tax in Cyprus.

Additionally, the dividend income to be received from the profits earned from the sale of real estate is exempt from both corporation tax and Special Defence Contribution.

However, if the dividend falls under the non-exemption rule, the Special Defence Contribution applies.

Direct Transfer Intra Concern

(CYPRUS REAL ESTATE TO CYPRUS COMPANY)

Resident Company

Capital gains

The factors behind the sale of real estate need to be analysed. If the company is trading in real estate as a business activity, then corporation tax applies at the rate of 12.5%.

Otherwise, capital gains tax at 20% applies.

Levy on the sale of real estate

Upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department. In respect of a direct transfer of real estate, the levy applies to the sale amount.

VAT/Transfer tax

Generally, the supply of immovable property on resale terms is exempt from VAT.

However, the supply of a new immovable property is subject to VAT at the standard rate of 19%. "New" immovable properties are those which are supplied for first use.

Leases of immovable property attract VAT at the standard rate of 19% when the lessee is a taxable person and is engaged in taxable activities by at least 90%.

The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.

Sale of non-developed building land

As of 2 January 2018, the sale of non-developed building land attracts VAT at the standard rate of 19%.

The definition of non-developed land includes land intended for the construction of one or more structures that should be used in carrying out a business activity.

VAT does not apply to purchases or sales of land located in livestock zones or areas not intended for development.

Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property

As of 1 January 2019, leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to VAT at the standard rate.

Transfer fees do not apply to real estate transactions on which VAT has been imposed. A 50% discount is provided on acquisitions of properties that are not subject to VAT.

In the case of company reorganisations, transfers of immovable property are not subject to transfer fees.

Fiscal unity

The loss of one company can be set off against the profits of another company, provided the two companies are Cyprus tax residents of a "tax group".

A group is formed if:

- A Cyprus tax resident company directly or indirectly holds at least 75% of the voting rights of another Cyprus tax resident company, or
- Both companies are at least 75% owned by a third company.

As of 1 January 2015, the interposition of a non-Cyprus tax-resident company will not affect its eligibility for group relief if such a company remains tax resident in either an EU state or a country with which Cyprus maintains a tax treaty or a bilateral or multilateral agreement for information exchange.

Reorganisation

No capital gains tax applies in case of an approved reorganisation scheme.

Additionally, in the case of companies' reorganisations, transfers of immovable property are not subject to transfer fees.

Non-Resident Companies

Non-resident companies are treated in the same way as resident companies. A company which is not resident in Cyprus but has a permanent establishment in the Republic can opt to be treated as a resident company.

Indirect Transfer Intra Concern

(CYPRUS REAL ESTATE TO CYPRUS COMPANY)

Resident Company

Capital gains

The sale of shares in a company that owns real estate situated in Cyprus is subject to capital gains tax at the rate of 20%.

Levy on the sale of real estate

Upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department. In respect of an indirect transfer of real estate, the levy is calculated on the latest general valuation of the property attributed to the shares disposed of.

VAT / Transfer tax

No VAT implications exist. Neither transfer taxes apply on the sale of shares.

Non-Resident Companies

The sale of shares in a company that owns real estate situated in Cyprus is subject to capital gains tax at the rate of 20%. Sale of shares are not subject to corporation tax in Cyprus.



Direct Transfer Intra Concern

(CYPRUS REAL ESTATE TO FOREIGN COMPANY)

Resident Company

Capital gains

The factors behind the sale of real estate need to be analysed. If the company is trading in real estate as a business activity, then corporation tax applies at the rate of 12.5%.

Otherwise, capital gains tax at 20% applies.

Levy on the sale of real estate

Upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department. In respect of a direct transfer of real estate, the levy applies to the sale amount.

VAT/Transfer tax

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Transfer fees do not apply to real estate transactions on which VAT has been imposed. A 50% discount is provided on acquisitions of properties that are not subject to VAT.

In the case of company reorganisations, transfers of immovable property are not subject to transfer fees.

Losses

Losses incurred once the company undertakes business activities can be carried forward for the next five years. If the company is not considered to be undertaking trading activities on real estate, any capital losses can be set off against future capital gains with no year restriction.

Fiscal unity

The loss of one company can be set off against the profits of another company, provided the two companies are Cyprus tax residents of a "tax group". A group is formed if:

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As of 1 January 2015, the interposition of a non-Cyprus tax-resident company will not affect its eligibility for group relief if such company remains tax resident in either an EU state or a country with which Cyprus maintains a tax treaty or a bilateral or multilateral agreement for information exchange.

Non-Resident Companies

Non-resident companies are treated in the same way as resident companies. A foreign company may wish to set up a presence in Cyprus through permanent establishments.

Indirect Transfer Intra Concern

(CYPRUS REAL ESTATE TO FOREIGN COMPANY)

Resident Company

Capital gains

The sale of shares in a company that owns real estate situated in Cyprus is subject to capital gains tax at the rate of 20%.

Levy on the sale of real estate

Upon the transfer of real estate, the seller is obliged to pay a levy of 0.40% to the Tax Department. In respect of an indirect transfer of a real estate the levy is calculated on the latest general valuation of the property attributed to the shares disposed.

VAT/Transfer tax

No VAT implications exist. Neither transfer taxes apply on the sale of shares.

Losses

Losses incurred once the company undertakes business activities can be carried forward for the next 5 years. In case when the company is not considered as undertaking trading activities on real estate, any capital losses can be set off against future capital gains with no year restriction.

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Non-Resident Companies

Non-resident companies are treated in the same way as resident companies. A foreign company may wish to set up presence in Cyprus through permanent establishments.

Transfer Cyprus Real Estate to an EU Company

If the transferor's home jurisdiction is in the European Union, the liability to tax on the capital gains may be avoidable if the merger and acquisition provisions apply.

Several detailed conditions apply, which can be found in the Council Directive of 19 October 2009.

European Real Estate tax guides

Country by country real estate guide

Country by country real estate tax guides

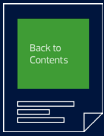
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The guides offer practical insights into acquiring, holding, and selling commercial real estate, whether directly or indirectly, by domestic or foreign investors. Additionally, the guides briefly introduce the legal entities used for real estate in different countries, such as publicly listed and privately held companies, investment funds, partnerships, and trusts.

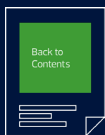
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* 2023 global fee income US\$9.4bn

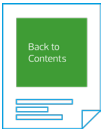
** Revenue growth percentage calculated using constant currency conversions

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A few words about RSM Cyprus

RSM Cyprus is amongst the leading providers of professional services. Our Firm offers a comprehensive range of services, including assurance, tax, and consulting, from our offices in Limassol, Paphos and Nicosia. Over the years, we have provided our services to local and international clients across various industries, i.e., tourism, manufacturing, energy, real estate and construction, shipping, insurance, retail and consumer products, trading, information communication and technology, financial services etc.

Bespoke assurance, tax and consulting services from RSM Cyprus

Our professional team has extensive experience in assurance, tax and consulting services across industries and business types. When it comes to your business, be assured that our team of auditors, tax and financial consultants will thoroughly analyse your requirements, understand your business needs, and deliver the most effective advice, guidance, and financial auditing solutions.

Our commitment

We devote time, thought and energy to understanding you and your organisation's needs. We commit ourselves in your business to understand who you are, your needs, and your goals to help you move forward with confidence.

With dedicated teams, we are fully equipped to assist your business with its assurance, tax and consulting needs. Our teams have an excellent knowledge of the economic landscape of Cyprus, as well as the cultural, linguistic, legal and financial environments. As a member firm of the RSM Network, we are able to provide seamless and high-quality services for both national and international organisations by sharing the best practices, expertise, ideas and insights of our most senior professionals. We bring our expert local and global knowledge and resources to your business so you feel understood and empowered.

How we can help your organisation

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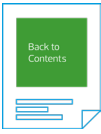
Responding to today's business needs, we are constantly investing in improving control methods while, at the same time, following each sector's developments closely. Our extensive market knowledge and audit experience enable us to provide a transparent and unbiased view of your company's operations according to International Financial Reporting Standards and International Accounting Standards.

Tax Services

In a rapidly changing environment, we provide customised tax advisory and compliance solutions. Our tax advisors have the knowledge to identify and define your business and personal tax obligations according to tax regulations. Thus, they are able to advise you on tax-efficient corporate structures by considering your specific requirements, industry, and business type.

Consulting Services

As one of the leading assurance, audit, tax and consulting firms, we are able to identify and prioritise the issues you need to solve while tackling industry challenges and mitigating future risks. Therefore, our financial consultants offer a broad range of consulting and business planning services, including, amongst others, mergers and acquisitions, business development and planning, business evaluation, etc.



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When there are important news and information about:

Economic and corporate insights

- Consulting insights
- Tax news
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- Financial Services and regulatory updates
- HR advisory

our professional assurance, tax and consulting advisors of RSM Cyprus will share them with you and be available to discuss your concerns and questions by arranging a private consultation.

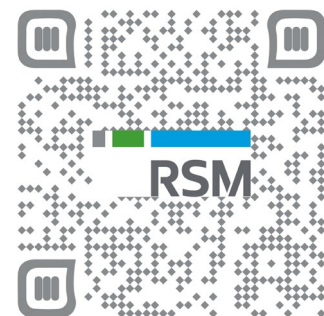
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LIMASSOL OFFICE

131, Gladstonos str, Kermia Court, 2nd floor, CY-3032,
Limassol, Cyprus

PAPHOS OFFICE

56, Georgiou Griva Digeni Avenue, 2nd & 3rd floor,
CY-8047, Paphos, Cyprus

NICOSIA OFFICE

36, Griva Digeni Avenue & 5, Deligiorgi str., Lapithio
Tower, 5th floor, CY-1066, Nicosia, Cyprus

T: +357 25 204 000

E: info@rsmcyprus.com

W: rsmcyprus.com



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