



EXAMPLES

**Examples of implementation of the tax
reform for individuals who are tax residents
of Cyprus
(from tax year 2026)**

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Example 1: Family with two children and interest on a primary residence that is within the income criterion

Case Spouses or civil partners who have two common minor dependent children. They have spent €5,000 in interest on a serviced mortgage loan for their main residence during the tax year. The father has a gross income of €60,000 and the mother €35,000.

Income The spouses/cohabiting partners together with the two children constitute a family. The total gross family income is €95,000.

Income Criterion For a family with two children, the limit is €100,000.

Result The income criterion is met and each parent is entitled to a dependent child deduction of €2,250 (€1,000 for the first child and €1,250 for the second). In addition, each spouse or common-law partner is entitled to a deduction of up to €2,000 for the interest on the mortgage loan.

Example 2: Family with two children and interest on a primary residence that is within the income criterion

Case: Cohabitors without Civil Partnership who have two common minor dependent children. They have spent €3,000 in interest on a serviced mortgage loan for their main residence during the tax year. The father has a gross income of €60,000 and the mother €35,000.

Income Although they are Cohabitors without Civil Partnership, however, because they have children together, the two Cohabitors/parents together with the two dependent children constitute a family. The total gross family income is €95,000 (€60,000 + €35,000).

Income Criterion For a family with two children, the limit is €100,000.

Result The income criterion is met and each parent is entitled to a dependent child deduction of €2,250 (€1,000 for the first child and €1,250 for the second). In addition, both partners/parents are entitled to a total deduction for interest of up to €3,000, which is the actual interest expense on the mortgage loan. The total deduction of €3,000 can be divided between the two partners, as they jointly choose, without exceeding the amount of €2,000 for each.

Example 3: Family with three children and purchase of an electric vehicle that is outside the income criterion

Case Spouses with three common dependent children. Within the tax year they have spent €50,000 on the purchase of an electric vehicle. One spouse has a gross income of €90,000 and the other €65,000.

Income The spouses together with their three children constitute a family. The total gross income is €155,000 (€90,000 + €65,000).

Income Criterion For families with three or four children, the limit is €150,000.

Result: The parents are not entitled to the dependent child deduction because they exceed the income criterion of €150,000. For the same reason, they are not entitled to the deduction for the purchase

electric vehicle, neither in the tax year of the expenditure nor can they carry it over to subsequent tax years.

Example 4: Single person with two dependent children paying rent outside the income criterion

Case Divorced father living alone (single person), has two dependent children who usually reside with their mother. Pays rent for use of main residence €4,800 per year. His gross income is €42,000.

Income The divorced father is a single person with a gross income of €42,000.

Income Criterion For single individuals, the limit is €40,000.

Result: Although he has joint parental responsibility, he is not entitled to the dependent child deduction, as his income exceeds €40,000. For the same reason, he is not entitled to the main residence rent deduction.

Example 5: Single person with two dependent children paying rent within the income criterion

Case Divorced father living alone (single person), has two dependent children who usually reside with their mother. Pays rent for use of main residence €4,800 per year. His gross income is €38,000.

Income The divorced father is a single person with a gross income of €38,000.

Income Criterion For single individuals, the limit is €40,000.

Result: Because he is a single person with an income below the income criterion of €40,000, he is entitled to a child allowance of €2,250 (€1,000 for the first child and €1,250 for the second). €38,000, as well as a main residence rent allowance of €2,000.

Example 6: Single-parent family within income criteria

Case: A single mother living with a minor child paid €5,000 in interest on a mortgage loan for her main residence during the tax year.

Her gross income is €80,000.

Income The mother and the dependent child constitute a single-parent family with a combined income of €80,000.

Income Criterion For single-parent families with one child, the limit of €100,000 applies.

Result The mother is entitled to the dependent child allowance, which is doubled due to her being a single parent, €2,000 for one dependent child. In addition, she is entitled to an interest deduction for a primary residence loan of €2,000.

Example 7: Family with a working student and subsidized mortgage interest, within income criteria

Case Spouses or partners in a Civil Partnership, with a child who is a student aged 22. Within the tax year they have spent €3,500 on interest on a serviced loan for a main residence and the subsidy is €1,000. Therefore, the actual expenditure corresponds to €2,500.

One parent has a gross annual income of €60,000 and the other €38,000. The student works part-time with an annual gross income of €5,000.

Income The spouses/cohabiting partners together with their child who is a student, constitute a family. The parents have a total income of €98,000. The income of the student child is excluded from the calculation of family income, because this income is from employment. Thus, the gross family income remains €98,000.

Income Criterion For a family with one child, the limit is €100,000.

Result Each parent is entitled to a €1,000 child allowance, as the gross family income is €98,000, i.e. below the income criterion. In addition, spouses/partners in a Civil Partnership are entitled to a deduction of up to €2,000 each for interest on a serviced mortgage loan for their main residence and the total deduction granted to both spouses/partners cannot exceed €2,500 (actual interest expense). They can divide the total amount of €2,500 as an interest deduction on each person's return.

Example 8: Civil Cohabits with common and non-common dependent children, who pay rent, within the income criterion

Case A parent with two dependent children from a previous marriage enters into a civil partnership with a common-law partner and they acquire a common-law dependent child. They all live together under the same roof (total of 3 children). The Common-Law Partners pay an annual rent for the use of a main residence in Cyprus of €9,000. The sum of the gross incomes of both Partners is €140,000

Income The Civil Cohabits, their two children from a previous marriage and their common child, constitute a family. The Civil Cohabits have a total gross family income of €140,000.

Income Criterion For a family with three children (two ancestors for one spouse and one common child), the limit is €150,000.

Result As the total gross family income is below the threshold of €150,000, one parent is entitled to a dependent child allowance of €3,750 (€1,000 for the first, €1,250 for the second and €1,500 for the third dependent child) and their Partner is entitled to a dependent child allowance of €1,000 for the one common dependent child, i.e. they are not entitled for ancestors. Also, each Partner is entitled to a €2,000 deduction for rent paid for the use of a main residence in Cyprus.

Example 9: Cohabitants without civil union with common children, outside the income criterion

Case Two cohabitants without civil partnership cohabit with a common dependent child. One cohabitant has a gross income of €35,000 and the other cohabitant has €53,000.

Income Although they are Cohabitants without a Civil Partnership, however, because they have a common child, the two Cohabitants/parents together with the one common dependent child, constitute a family. The total gross family income is €88,000 (€35,000 + €53,000).

Income Criterion For a family with one child, the limit is €100,000.

Result As the total gross family income is below the threshold of €100,000, each parent is entitled to a child allowance of €1,000 for one dependent child.

Example 10: Spouses with two common children, one of whom is a non-tax resident in Cyprus, within the income criterion

Case Two Spouses have two children together, who live under the same roof with one parent. The other parent, who is a non-tax resident of Cyprus, lives under the same roof when in Cyprus and has income outside Cyprus. The parent who is a tax resident of Cyprus has a gross income of €30,000, while the parent who is a non-tax resident of Cyprus has a gross income abroad of €65,000.

Income The two Spouses together with their two dependent children constitute a family. Total gross family income is €95,000 (€30,000 + €65,000). The

Income Criteria For a family with two children . the limit is €100,000.

Result The total gross family income is below the threshold of €100,000. The A parent who is a tax resident in Cyprus is entitled to a child allowance of €1,000 for the first dependent child and €1,250 for the second dependent child. A spouse who is not a tax resident in Cyprus is not entitled to the child allowance. However, in order for the allowance to be granted to the spouse who is a tax resident in Cyprus, the spouse who is not a tax resident in Cyprus must submit an income tax return with all his or her income, in order to be included in the gross family income.

Note: The granting of the discount requires the timely submission of a tax return by both spouses.

Example 11: Divorced parent who remarried, with rent and purchase of electric vehicle, outside income criterion

Case: Divorced father with a dependent child from a previous marriage. The divorced father has remarried and lives with his new wife and his dependent child from a previous marriage in an apartment, which they rent for 8,000 euros per year. In January 2026, they purchased a new electric vehicle worth 40,000 euros. The father's total gross income for the year 2026 amounted to €60,000 and that of his new wife to €50,000.

Income The divorced father, because he has remarried, is not considered a single parent and together with his new wife and his dependent child are considered a family. Therefore, their total gross family income for the year 2026 amounts to €110,000 (€60,000 + €50,000).

Income Criterion Because they are considered a family with one child, the limit is €100,000.

Result As the total gross family income exceeds the €100,000 limit, the father is not entitled to the €1,000 deduction for one dependent child, nor the €2,000 deduction for rent for the use of a main residence, nor the €1,000 deduction for the purchase of a new electric vehicle. Similarly, his new wife is not entitled to the €2,000 deduction for rent for the use of a main residence, nor the €1,000 deduction for the purchase of a new electric vehicle.

Example 12: Divorced parent not living with their child, with expenses for photovoltaics, within income criteria

Case A divorced mother has a dependent child, who lives with his father. The mother has not remarried, nor does she have a civil partner. Within the year 2026, she installed a photovoltaic system in the house where she resides and which belongs to her (owner), the cost of which amounted to €4,000. The mother received a government grant of €1,000 for the installation of the photovoltaic system. The mother's total gross income for the year 2026 amounted to €37,000.

Income Because the mother has not remarried nor is in a civil partnership and does not reside with her dependent child, she is considered a single person (not a single parent because she does not live with the child) with a total gross income for the year 2026 of €38,000 (€37,000+€1,000 state grant).

Income Criterion As a single person, the income threshold for the mother to be entitled to the discounts is €40,000.

Result As the mother's total gross income is below the threshold of €40,000, for the year 2026, the mother is entitled to a deduction of €1,000 for the one dependent child and €1,000 for the installation of a photovoltaic system. For the remaining expense of €2,000 for the installation of the photovoltaic system (total cost of €4,000 minus state grant of €1,000 minus €1,000 deduction granted in the year 2026), the mother will be able to claim a €1,000 deduction in the year 2027 and a €1,000 deduction in the year 2028, provided that her total gross income for the years in question does not exceed €40,000 (in case she is still a single person).

Note: The €1,000 government grant is included for the purposes of calculating gross family income, but is not taxable.

Example 13: Divorced parent living with new partner, who pays rent

Case A divorced father has a dependent child who lives with his ex-wife. In 2026, the divorced father was living with a new partner (without civil partnership), with whom he has no children, in a rented house for which they paid from

half rent for the year, amounting to €8,000. The father's total gross income for the year 2026 amounted to €37,000 and his new partner's to €42,000.

Income The divorced father and his new partner are not considered a family as they are not married, nor do they have a civil partnership, nor do they have children together. The father is not considered a single parent because he does not live under the same roof with his dependent child. Therefore, both the father and his new partner are each considered single persons with a total gross individual income of €37,000 and €42,000, respectively.

Income Criteria As a single person, the individual income limit is €40,000.

Result As the father's total gross income is below the €40,000 threshold, for the year 2026, the father is entitled to a deduction of €1,000 for his one dependent child and €2,000 for the rent for the use of the main residence. As for his new partner, as her total gross income exceeds the €40,000 threshold, for the year 2026 she is not entitled to a deduction for the rent for the use of the main residence or any other deduction.

Example 14: Children of one spouse, with interest on principal residence, with natural disaster insurance, within income criteria

Case A mother has two dependent children from a previous marriage. The mother has remarried a man who is the father of three dependent children also from a previous marriage. All of them (all 7) live under the same roof (a detached house), which belongs to the mother. In 2026, interest was paid on the mortgage loan that financed the acquisition of the detached house in the amount of €7,000 (as of December 31, 2026, the mortgage loan is in service). The detached house is insured against natural disasters, with the premium for 2026 amounting to €600. The mother's total gross income for 2026 amounted to €80,000 and that of her new husband to €110,000.

Income The mother, along with her two dependent children, her new husband and his dependent children, are considered a family. Therefore, their total gross family income for the year 2026 amounts to €190,000 (€80,000 + €110,000).

Income Criterion Because it is a family with five children living under the same roof, the income limit is €200,000.

Result

As the total gross family income is below the threshold of €200,000:

- the mother is entitled to a deduction of €2,250 for her two dependent children (€1,000 for the first, €1,250 for the second) and a deduction of €2,000 for interest on a serviced mortgage loan for the main residence.
- her new husband is entitled to a deduction of €3,750 for his three dependent children (€1,000 for the first, €1,250 for the second and €1,500 for the third dependent child) and a deduction of €2,000 for interest on a serviced mortgage loan for his main residence.

The homeowners insurance deduction against natural disasters is granted regardless of any income criteria. Each spouse is entitled to a deduction of up to €500 for homeowners insurance, but the total claimed for both cannot exceed the total expense of €600. The total deduction of €600 can be divided

to both Spouses, as they jointly choose, without exceeding the amount of €500 for each.

Note: The deduction for interest on a serviced home loan on a primary residence is granted to both spouses, provided that the primary residence is owned by at least one of the spouses and the serviced loan is in the name of at least one of the spouses. Therefore, even though the single-family home is owned only by the mother, her new husband is also entitled to the deduction.

Example 15: Children who cease to be dependent children, within income criteria

Case A mother of two children from a previous marriage has remarried a widower who is the father of three children. All five children lived under the same roof with the mother and her new husband until they were 18 years old. As of December 31, 2026, the mother's two children and the new husband's two children are over 25 years old (they are not dependent children), while the father's third child is 23 years old and is a student (dependent child). In the same year, the mother's one child and the father's dependent child lived under the same roof with the mother and her new husband. The total gross income for the year 2026 –

- the mother's amounted to €70,000, - her new husband's to €80,000, - the mother's one child who lives under the same roof with them to €40,000, and
- the dependent child of the father who is a student to €15,000 from employment.

Income The mother, her two children, her new husband and his three children are considered a family. Therefore, their total gross family income for the year 2026 amounts to €190,000 (€70,000 + €80,000 + €40,000). The income of the dependent child who is a student is not included in the family income, because it is from employment.

Income Criterion Because they are considered a family with five children (who lived under the same roof) and at least one dependent child remains in the family, the income threshold to be eligible for the discounts takes into account the five children, and is €200,000.

Result As their total gross family income is below the €200,000 threshold, the father is entitled to a child allowance of €1,000 for his one dependent child, while the mother is not entitled to a child allowance because she has no dependent children.

Example 16: Children from a previous civil partnership, purchase of an electric vehicle, within income criteria

Case A mother has two dependent children from a previous civil partnership. She has remarried to a man who does not have children and they have no children together. They all live under the same roof. In January 2026 they purchased a new electric vehicle worth €50,000, for which they received a state grant of €9,000. The mother's total gross income for the year 2026 amounted to €40,000 and that of her new husband to €50,000.

Income The mother, along with her two dependent children and her new husband, are considered a family. Therefore, their total gross family income for the year 2026 amounts to €99,000 (€40,000 + €50,000 + €9,000 government grant).

Income Criterion Because they are considered a family with two children, the income threshold to be eligible for the discounts is €100,000.

Result As their total gross family income is below the threshold of €100,000, for the year 2026:

- the mother is entitled to a discount of €2,250 for her two dependent children (€1,000 for the first and €1,250 for the second dependent child) and €1,000 for the purchase of a new electric vehicle.
- her new husband is only entitled to a €1,000 discount for the purchase of a new electric vehicle and is not entitled to a discount for dependent children because he is not the biological or adoptive father of their.
- For the remainder of the cost of purchasing the electric vehicle, the mother and her new husband may claim a deduction of €1,000 each in each of the years 2027 to 2030, provided that their gross family income for each of these years does not exceed the income limit.
- If, for example, their gross family income does not exceed the income limit in the years 2027 and 2029, while it exceeds it for the years 2028 and 2030, then they will be able to claim the €1,000 deduction each only for the years 2027 and 2029.