



ΤΜΗΜΑ
ΦΟΡΟΛΟΓΙΑΣ
TAX DEPARTMENT

Frequently Asked Questions and Answers
Tax Reform 2026
for Natural Persons

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A. Year of Implementation, Tax-Free Amount and Tax Scales and Obligation to Submit a Declaration

1. From which tax year do the amendments resulting from the tax reform apply?

The tax reform is implemented from the tax year 2026.

2. When should the tax return for the year 2026 be submitted?

The tax return for 2026 will be submitted within the year 2027. The submission deadline is until July 31, 2027.

3. What is the tax-free amount?

The tax-free amount (i.e. the taxable income on which a 0% tax rate is imposed) has increased from €19,500 to €22,000 with effect from the tax year 2026 onwards.

4. What is taxable income?

Taxable income is the net amount that is taxed, after deducting exemptions and deductions allowed by tax legislation.

5. How have the tax scales been modified?

The tax scales applicable from the tax year 2026 are as follows:

Tax rate	Taxable income
0%	from €0 to €22,000
20%	from €22,001 to €32,000
25%	from €32,001 to €42,000
30%	from €42,001 to €72,000
35%	from €72,001 and above

6. Who is required to submit a tax return for the tax year 2026 and beyond?

Person who:

(a) has gross income (income before deduction of any exemptions or deductions) that falls within the provisions of section 5 of the Income Tax Law¹, or

(b) is a tax resident of Cyprus² and has reached the age of 25 but not the age of 71 year, until December 31 of the tax year, regardless of income.

It is noted that the Council of Ministers retains the power, by Decree, to exempt categories of persons from the obligation to submit a tax return.

¹ Income/profit/benefit from conducting a business, employment, dividends, interest, pension, amounts of income payable pursuant to a court order or pursuant to a term set out in a will or contract, rents, intellectual property or patent rights, ownership, sale of cryptocurrencies, breach/cancellation of contract.

² Resides in Cyprus for more than 183 days or meets the conditions for the 60 day residence rule days in Cyprus.

7. Which person is not required to file a tax return from tax year 2026 onwards?

A person who has no gross income and by December 31 of the tax year (a) has not reached the age of 25 or (b) has reached the age of 71.

B. New Personal Discounts and Conditions

8. What are the new personal deductions provided for in the tax reform?

Personal discounts are for

- Dependent children
- Expense for rent or interest on a serviced mortgage loan, primary residence
- Expenditure for energy upgrading of the main residence and purchase of an electric vehicle.

Personal discounts are granted based on family status and income criteria.

9. Do the new personal deductions reduce the taxable income on which the maximum deduction of 1/5 is calculated?

No, the new personal deductions do not reduce the taxable income on which the maximum deduction of 1/5 is calculated for insurance premiums, GESY contribution and contributions to funds and plans, and are granted in addition.

Such funds and plans include the Social Insurance Fund, Widows and Orphans Pension Fund, pension funds and plans, insurance Plans and medical coverage plans.

10. New personal discounts are included in the maximum discount amount of 1/5 together with insurance premiums, GESY contributions and contributions to funds and plans?

No, new personal discounts do not count towards 1/5.

11. Are the new personal discounts declared on Form T.F.59?

Yes, the new personal deductions are declared on Form T.F.59-Declaration for claiming tax deductions, for calculating the income tax withheld by the Employer. In this Form, the final amount of the deduction per category is declared, without reference to income criteria or number of children, e.g. for two dependent children, a total child deduction of €2,250 is declared (€1,000 for the first and €1,250 for the second dependent child).

12. What are the basic conditions for granting the new personal discounts?

The **basic conditions** for the provision of the new personal discounts are as follows:

- spouses or civil partners or non-civil partners who have children together must consent to the **disclosure of their tax information** between them, to confirm that the family income does not exceed the income criteria. Consent will be given in a special field on the tax return of each spouse or common-law partner.
- the **tax returns** of spouses or partners in a civil partnership or partners without a civil partnership and with common children or of a single person, must have been submitted within the prescribed deadlines.

13. What are the income criteria for families?

The total **gross family income** must not exceed the following limits:

- €100,000 for families without children or with one (1) or two (2) children
- €150,000 for families with three (3) or four (4) children
- €200,000 for families with five (5) or more children

14. How is gross family income calculated?

For the calculation of family income, the gross income, within the tax year, obtained by all family members is taken into account, including from work, employment, pensions, rents, income from interest and dividends, alimony, subsidies from the Cyprus Agricultural Payments Organization, as well as any public assistance granted by the Social Welfare Services, as well as from any other grants, allowances and sources of income in the Republic or abroad.

In the event that the taxpayer lives with another person with whom they have children in common, the gross income of this other person is also taken into account.

15. What income is excluded from the calculation of gross family income?

Excluded from the calculation of gross family income are the income of children of full-time students from work or employment, child allowance, student sponsorship, student care benefits and scholarships, as well as allowances and sponsorships to deserving individuals with disabilities or chronic illnesses.

16. What is considered a Family, for the purposes of calculating gross family income?

A family, for the purposes of calculating gross family income, consists of:

- (a) Parents when they live together and their common children and the children of one or the other, from these parents, provided that the children live with these parents under the same roof;
- (b) a single, widowed, divorced father and his children living with him under the same roof;
- (c) a single, widowed, divorced mother and her children living with her under the same roof;
- (d) the children of the above family under (a) when both their parents are dead or missing, or the children of the above family under (b) and (c) when their father or mother, as the case may be, are dead or missing, who live under the same roof with the person having custody of them, his/her spouse if any, and their children if any, provided that they live with him/her under the same roof;
- (e) a married father and his children living with him under the same roof, provided that his wife is serving a prison sentence of six (6) months or more;
- (f) a married mother and her children living with her under the same roof, provided that her husband is serving a prison sentence of six (6) months or more; and
- (g) Spouses or partners in a Civil Partnership, who do not have children in common or who do not live under the same roof with any of the children of one and/or the other.

It is understood that a dependent child over the age of eighteen (18) years is not required to live under the same roof as the family as referred to in paragraphs (a) to (f). In such a case, the dependent child is considered a member of the mother's family and if there is no mother, then he is considered a member of the father's family.

17. What does single-parent family mean?

Single-parent family means:

(a) the family, in which a parent lives with at least one (1) dependent child and who lives either without a spouse or a civil partner, or without another person with whom they have children in common, due to being a single parent, widowed, divorced or because the other parent has been declared missing by the court; or

(b) the family in which a married parent lives alone with at least one (1) dependent child, because the other parent is serving a prison sentence of six (6) months or more.

That is, the term "single-parent family" only applies if the parent:

- lives under the same roof as the dependent child and has custody of him/her , **and** _____
- does not have a spouse, civil partner or other person with whom they have children in common.

18. Why are dependent children separated from children?

This separation is made so that the child deduction provided:

- take into account the actual size of the family for the income limit,
- but provide the discount only for children who are still dependent children.

19. What does children mean for the purposes of income criteria?

For the purposes of the income criteria, children means legitimate children, ancestors, children born out of wedlock and legally adopted children. The number of children, regardless of age, corresponds to the total number of children in the family whose usual residence is or was the family's main residence, provided that at least one (1) dependent child remains on December 31 of the tax year. As a rule, the usual residence of one (1) child is under the same roof as the mother.

Ancestor means the child of a spouse or civil partner, who is not a child of the other spouse/partner.

20. If children living under the same roof are children of only one spouse or civil partner, are they counted in the number of children for the purposes of the income criteria?

Yes, they are counted provided that at least one (1) dependent child remains in the family on December 31 of the tax year.

21. If children have exceeded the age limits to be considered dependents, are they counted for the purposes of the income criteria?

Yes, they are counted provided that at least one (1) dependent child remains in the family on December 31 of the tax year.

22. If children are married, employed, unemployed, etc., are they counted for purposes of the income criteria?

Yes, they are counted provided that at least one (1) dependent child remains in the family on December 31 of the tax year.

23. Who is considered a single person and what are the income criteria for single people?

A person living without dependent children or a spouse or civil partner and whose total gross income does not exceed €40,000.

It is noted that a person who resides/cohabits with other people, other than the aforementioned persons, is considered a single person.

24. What are the discounts for dependent children and to whom are they granted?

The deduction for dependent children is granted to each biological or adoptive **parent**, for each dependent child, who is a biological or legally adopted child, as follows:

- **€1,000** for the first dependent child,
- **€1,250** for the second dependent child,
- **€1,500** for the third and each additional dependent child.

25. Who is considered a dependent child for whom a discount is granted?

The **dependent child for each parent**, for whom a deduction is granted, is considered the biological or legally adopted child who, on December 31 of the tax year, is:

- i. under 18 years of age,
- ii. Secondary school student under 20 years of age,
- iii. a soldier in the National Guard under 21 years of age,
- iv. student under 24 years of age,
- v. a child who is permanently deprived of the ability to support themselves, regardless of age.

26. What criteria apply for granting a child discount for single-parent families?

The same income criteria are applied for families depending on the number of children, and the amount of the deduction provided to the single parent is doubled for each dependent child.

27. Does a parent who has joint parental responsibility for their dependent child but does not reside with them have the deduction for a dependent child?

Yes under the following conditions:

- if he is single, then the income criterion of €40,000 applies.
- if he/she is a family member, i.e. a spouse or a civil partner, in which there are no other children living under the same roof, then the income criterion of €100,000 applies.
- if he is a family member, that is, a spouse or a partner in a Civil Cohabitation, in which other children (either common or of one of the two) live under the same roof, then the income criterion is applied according to the children.
- if he/she lives in a cohabitation without a Civil Cohabitation, with whom they have a common child, then he/she is a family member and the income criterion is applied depending on the children living with him/her under the same roof.

C. Expense for Rent or Interest on Serviced Primary Residence Mortgage Loans

28. What is the amount of the deduction for interest on a serviced mortgage loan for the purchase or construction of a main residence or for rent paid for the use of a main residence in Cyprus?

A deduction is granted for the amount of interest and/or rent paid within the year, with a maximum deduction amount of €2,000 for each spouse or common-law partner or single person.

29. If, within the same year, I have paid interest and rent for a primary residence, am I entitled to a deduction of €2,000 for interest and €2,000 for rent?

No, the maximum deduction that can be claimed in total for interest and rent in the same tax year is €2,000.

30. If the mortgage loan was restructured, is it considered a performing loan and is the €2,000 deduction granted?

Yes, provided that the installments are paid without fail, until December 31 of the tax year.

31. Is the deduction for interest on a serviced loan and rent for the use of a primary residence based on income criteria?

Yes, it is based on income criteria determined according to the number of children in the family.

32. If the amount of interest on a serviced mortgage loan and/or rent payable is greater or less than €2,000, what amount is granted as a deduction?

If it is greater, it is limited to €2,000 and if it is less, the actual amount of interest or rent paid is granted.

33. What are the further conditions for the provision of the interest or rent deduction?

- For the interest deduction, the residence must be owned by at least one of the two spouses or partners or the single person.
- For the interest deduction, the serviced loan is in the name of at least one of the two spouses or partners or a single person.
- Any government grants or subsidies for mortgage or rent interest reduce the amount of the expense for which a discount is granted.
- Rent must be paid to the owner of the property by bank transfer or card or recognized electronic payment method.

D. Personal deduction for capital expenditure on energy upgrades to a main residence and purchase of an electric vehicle.

34. What is the amount of the deduction granted for capital expenditure on energy upgrades to a main residence and the purchase of an electric vehicle?

A deduction is granted for the actual amount of the expense, with a maximum deduction amount in the tax year of €1,000 per spouse or common-law partner or single person.

35. Is this deduction based on income criteria determined according to the number of children in the family?

Yes, it is based on income criteria.

36. What type of capital expenditure does the deduction apply to?

- improving the energy efficiency of the main residence in Cyprus,
- technical energy efficiency systems, renewable energy systems, as well as electricity storage batteries, at the main residence in Cyprus,
- electric vehicles registered with the Department of Road Transport.

37. Can each person be granted a discount of more than €1,000 in case the actual expense is greater?

The maximum deduction granted to each individual in a tax year may not exceed €1,000. However, in the event that the amount of the expenditure is greater than the total deduction granted to each spouse or common-law partner or single person, the remainder of the expenditure may be carried forward and a deduction of up to €1,000 may be granted in the following four years, subject to the income criteria in each tax year.

38. What are the further conditions for the provision of the deduction for capital expenditure on energy upgrading?

- Any government grant or subsidy from a public fund (e.g. the "Photovoltaic" project for All"), reduce the amount of the expense for which a discount is granted.
- The main residence for which the energy upgrade is being made must be a property at least one of the two spouses/partners or the single person.
- The amount of the deduction provided to both spouses or partners, or to the single person, does not exceed the total actual expenditure for the energy upgrade of a home or the purchase of an electric vehicle.

39. What does improving the energy efficiency of a main residence mean?

It means expenses related to:

- (i) thermal insulation of horizontal structural elements;
- (ii) thermal insulation of walls and elements of the load-bearing structure;
- (iii) replacement of window frames.

40. What does it mean to spend money on technical energy efficiency systems, renewable energy systems, as well as on electricity storage batteries, in the main residence?

It means expenses related to:

- (i) thermal insulation of hot water pipes
- (ii) heat recovery systems;
- (iii) energy management systems;
- (iv) installation of a high-efficiency combined heat and power system;
- (v) installation of photovoltaic systems net billing or autonomous;
- (vi) purchase and installation of batteries for storing electrical energy.

41. What does expenditure on electric vehicles mean?

It means expenses related to:

- (i) new electric vehicles of category M1
- (ii) category 1 AC (alternating current) or category 2 DC (direct current) electric vehicle charging stations.

New is an electric vehicle that:

- has been delivered within 6 months of the date of its first placing on the market, or
- has traveled up to 6,000 kilometers,

whichever happens first.

E. Deduction for Homeowners Insurance against Natural Disasters

42. What is the amount of the deduction for home insurance against natural disasters, such as fire, earthquake, flood, etc.?

The maximum deduction amount for each individual owner is €500, for all premiums and for all residences, for each tax year.

43. Does this deduction only apply to primary residences?

No, it also applies to a holiday home or rental home.

44. Is this deduction based on income criteria?

No, this discount is not based on income criteria.

45. How is the maximum deduction amount of 1/5 affected by the home insurance deduction?

The deduction for home insurance for natural disasters reduces the net income on which the 1/5 limitation is calculated and is not included in the deductions for insurance premiums and contributions to funds and plans, which are limited to the limit of 1/5 of net income.

46. Does the discount apply exclusively to home insurance against natural disasters?

No, it may include coverage beyond that of natural disasters, e.g. coverage against theft.

F. Discount for insurance policy for permanent or temporary, total or partial disability

47. In addition to the discount for life insurance premiums, is a discount also granted for insurance premiums for permanent or temporary, total or partial disability?

Yes, in addition to the discount for life insurance premiums, a discount is also provided for premiums paid from 1.1.2026 for permanent or temporary, total or partial disability.

48. Does the 7% restriction apply?

Yes, the discount for such an insurance policy, as for life insurance, is limited to 7% of the coverage amount payable by the insurance company in the event of disability.

49. Does the discount count towards the maximum discount of 1/5?

Yes, this specific deduction is included in the deductions for insurance premiums and contributions to funds and plans, which are limited to the limit of 1/5 of net income.

50. How is the partial redemption of a life insurance policy taxed?

The tax reform introduces a provision for the taxation of the partial redemption of an insurance policy, as follows:

(a) If **4 years have not been completed from the date of the insurance policy** and a partial redemption is made, then 50% of the amount of the partial redemption is added to the taxable income of the year in which the partial redemption was made and is taxed.

(b) If **4 years have passed since the date of the insurance contract** and a partial redemption is subsequently made, then 50% of the redemption amount that exceeds the value of the gross redemption³ on 31 December of the fourth year preceding the year of the partial redemption is added to the taxable income and taxed.

The amount of the gross surrender is reduced by the amount by which the partial surrenders of the three previous years exceed the premiums paid during those three years.

³ The gross redemption value is a technical insurance term and is the amount that the insurance company if the policy had been fully redeemed on a specific date.

G. Abolition of the Imposition of Extraordinary Defense Contribution on Rental Income

51. Do I have to pay an extraordinary defense contribution on rental income?

No, it has been abolished as of January 1, 2026 and from that date, rental income continues to be taxed only with income tax and with a GHS contribution.

52. How and when do I pay income tax on rental income from 2026?

Income tax on rental income is paid by submitting a provisional tax return.
income tax, in two installments on 31/7 and 31/12 of each tax year.

53. If the tenant of my property is a legal entity (company), will they continue to withhold GHS contributions from me when paying the rent?

Yes, legal entities are still required to withhold GHS contributions when paying rent.

54. If no GHS contribution has been withheld from my rent payment, how and when do I pay it?

In such a case, the GSY contribution is paid by self-assessment in two installments on 31/7 and 31/12 of each tax year.

55. Can I continue to collect rent in cash or by check?

From 1 July 2026, the collection of rents for properties in Cyprus is carried out exclusively through-

- (a) bank transfer, or
- (b) payment by debit or credit card, or
- (c) any other recognized electronic payment method.