



1. Tax year from which the reform applies

The tax reform starts to apply from tax year 2026. The tax return for tax year 2026 will be filed during 2027, with a filing deadline of 31 July 2027. During 2026, taxpayers will still file the return for tax year 2025.

2. Tax-free threshold and tax bands

The tax-free threshold increases from €19,500 to €22,000 from tax year 2026 onward. Tax bands from 2026: 0% up to €22,000; 20% from €22,001 to €32,000; 25% from €32,001 to €42,000; 30% from €42,001 to €72,000; and 35% above €72,001. "Taxable income" means the net amount subject to tax after deducting exemptions and deductions allowed by tax law.

3. Who must file a tax return from tax year 2026 onward

A person must file a return if they have gross income falling within Article 5 of the Income Tax Law, or if they are a Cyprus tax resident aged at least 25 but not yet 71 by 31 December of the tax year, regardless of income. The Council of Ministers may exempt categories of persons by Decree.

4. Who is not required to file

A person with no gross income who, by 31 December of the tax year, is either under age 25 or has reached age 71, is not required to file a tax return.

5. New personal deductions introduced by the reform

New personal deductions are introduced for Cyprus tax resident individuals, based on family status and income criteria, for dependent children, rent or interest on a serviced housing loan for a primary residence, and capital expenditure for energy upgrades of a primary residence and purchase of an electric vehicle. These deductions are additional and do not reduce the taxable base used for the 1/5 cap that applies to insurance premiums, GHS contributions and contributions to eligible funds/schemes.

6. Basic conditions for the new personal deductions

Spouses, civil partners, or eligible cohabiting partners with common children must consent to mutual disclosure of tax data so family income can be checked against the thresholds. Tax returns must be filed within the statutory deadlines.



7. Income criteria for the new personal deductions

Family gross income thresholds are: up to €100,000 for families with 0–2 children, up to €150,000 for families with 3–4 children, and up to €200,000 for families with 5 or more children. For single persons without dependent children and without spouse/civil partner, the threshold is €40,000.

8. Dependent child deduction – entitlement and amount

Each biological or adoptive parent may claim €1,000 for the first dependent child, €1,250 for the second, and €1,500 for the third and each additional child. A dependent child is one who at 31 December is under 18, a secondary-school student under 20, a National Guard serviceman under 21, a student under 24, or permanently unable to support themselves regardless of age.

9. Single-parent families and shared custody rules

For single-parent families, the same income thresholds apply according to number of children, but the child deduction is doubled for each dependent child. A parent with shared parental care whose child does not live with them may still qualify, depending on status and the applicable threshold.

10. New deduction for rent or mortgage interest

Subject to the income criteria, up to €2,000 is available to each eligible person for interest on a serviced housing loan for the purchase or construction of a primary residence in Cyprus, or for rent paid for the use of a primary residence in Cyprus. Government grants reduce the eligible expense, and the combined deduction cannot exceed the actual rent or interest paid.

11. New deduction for energy-upgrade capital expenditure and electric vehicles

Subject to the income criteria, up to €1,000 per year is available to each eligible person for improving the energy performance of the primary residence, energy-efficiency systems, renewable-energy systems, electricity storage batteries, and electric vehicles registered with the Road Transport Department. Unused qualifying expenditure may be carried forward for up to four additional years, provided the income criterion was met in the year the expense was incurred.

12. Home insurance against natural disasters

From 1 January 2026, a deduction without income criteria is introduced for owners of any residence in Cyprus for premiums paid for insurance against natural disasters such as fire, earthquake, and flood. The deduction is capped at €500 per tax year across all residences combined.



13. Life insurance and disability insurance premiums

In addition to the existing deduction for life insurance premiums, a deduction is also available for premiums paid from 1 January 2026 for policies covering permanent and/or temporary, total and/or partial disability. The deduction is limited to 7% of the insured amount payable on disability and counts within the general 1/5 cap.

14. Taxation of partial surrender of a life insurance policy

If a partial surrender occurs before 4 years from the policy date, 50% of the partial surrender amount is added to taxable income in the year of surrender. If it occurs after 4 years, 50% of the amount exceeding the reference gross surrender value is added to taxable income.

15. Taxation of full encashment (redemption) of a life insurance policy

If a life insurance policy is encashed more than 6 years after the policy date, the guide states that no tax applies. If a policy covers both life and disability, the entire contract is treated as life insurance for this purpose. The capital amount paid on encashment is not taxed.

16. Taxation of rental income

From 1 January 2026, Special Defence Contribution on rental income is abolished. Rental income remains subject to income tax and GHS contribution. Individuals must pay provisional income tax in two instalments (31 July and 31 December) and self-assessed GHS contribution, where applicable, also in two instalments.