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Transfer Pricing (TP) Developments in Cyprus

2024 Recent updates

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Revision of thresholds for TP Documentation by the Cypriot tax authorities

Introduction

On 1 February 2024, the tax department announced revised thresholds regarding the obligation to prepare a Cyprus Local File for transactions falling under Article 33 of the Income Tax Law (“ITL”), i.e., intercompany transactions.

The obligation to prepare a Cyprus Local File arises for connected persons that are tax residents in Cyprus or permanent establishments in Cyprus of non-tax-resident persons if their transactions with connected persons either exceed or should have exceeded based on the arm’s-length principle, previously the threshold of €750,000 in aggregate, per category of transaction per tax year.

Increase of thresholds

The involved authorities, including the Ministry of Finance, have decided to increase the threshold of €750,000 per tax year, as follows:

- **From €750,000 to €5,000,000** for connected transactions falling under the category “**Financing**”.
- **From €750,000 to €1,000,000** for all other categories of connected transactions, i.e., “**Goods,**” “**Services,**” “**Royalties and Other Intangibles,**” and “**Other**”.

The revised thresholds are applicable for the tax year 2022, and the relevant amendment of the legislation is expected to be completed at a later date.

Simplification measures

On 6 July 2023, the tax department issued Circular 6/2023 (the “Circular”), providing clarifications and guidance on the applicability of the TP Legislation effective as of 1 January 2022.

The Circular provides guidance on the minimum requirements and the approach to be applied for documenting the categories of transactions which do not exceed the threshold of €750,000, along with the pricing methods to be applied.

The provisions of the Circular regarding the application of simplification measures for taxpayers that are not required to prepare a Cyprus Local File **continue to apply**.

How can we assist you?

Our tax team can help you understand the latest developments in the tax landscape, assess their potential impact on your business, and develop strategies to ensure compliance and minimize risk.



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