

Quick Guide

Cyprus - Transfer Pricing Requirements

Applicable Law & General Framework

Cyprus introduced formal transfer pricing legislation effective **1 January 2022** that aligns with the **OECD Transfer Pricing Guidelines**. Under these rules:

- The **arm's-length principle** applies to controlled (related-party) transactions.
- A **connected persons test (25%)** determines whether parties are related. Typically, one entity holds, directly or indirectly, at least 25% of the voting rights, share capital, or entitlement to profits of another.
- Tax residents in Cyprus and **permanent establishments (PEs)** of non-resident entities with related-party transactions fall in scope.

Documentation Requirements

Summary Information Table (SIT)

- Must be **submitted annually with the corporate tax return**.
- Lists high-level details of related-party transactions (counterparty residency, category, value).
- No minimum threshold – it applies to **all related-party transactions** that meet the 25% test.

Local File

Requires preparation if controlled transactions in a category **exceed certain monetary thresholds** (refer to next page). It includes:

- Functional analysis
- Comparability analysis
- Selection and application of appropriate TP methods
- Evidence supporting arm's-length pricing

The Local File must be ready by the tax return filing deadline and made available to the Tax Department on request within 60 days.

Master File

Applies to larger multinational enterprise (MNE) groups (generally where the ultimate parent's consolidated revenue exceeds €750m, consistent with OECD BEPS Action 13).

Minimum/Simplified Documentation

For related transactions that **don't exceed thresholds**, taxpayers must still prepare **simplified TP documentation** under **Circular 6/2023** and may apply **safe-harbor approaches** for certain low-risk transactions.

Now, for tomorrow



Materiality Thresholds (Old and New)

For Tax Years 2022–2025

As formally announced by the Tax Commissioner and applied **retroactively from tax year 2022** (even before legislative amendment of the Income Tax Law was published):

- **Financing transactions:** threshold increased from €750,000 → **€5,000,000**
- **All other categories** (goods, services, intangibles, other): threshold increased from €750,000 → **€1,000,000**

If the annual aggregate of related-party transactions in a category exceeds the relevant threshold, a Local File is required.

Transactions below these thresholds may be exempt from Local File preparation but still fall under simplified TP documentation and safe harbor provisions where applicable.

Updated Thresholds Effective from 1 January 2026

As part of the **2026 tax reform**, the Income Tax Law was amended with **new, higher thresholds** for Local File obligations:

Transaction Type	Threshold for Local File (2026-onward)
Financial transactions	€10,000,000
Goods transactions	€5,000,000
Other categories (services, royalties, other)	€2,500,000

These replace the earlier thresholds for years starting **1 Jan 2026 onward**.

Also, the reform clarified the connected persons definition – e.g., directors or officers may be treated as related when they directly or together hold at least 50% of board voting rights.

Penalties for Non-Compliance

Under the TP regime:

- Failure to submit the SIT on time can attract a fixed penalty (€500).
- Failure to provide Local File within 60 days on request may result in escalating fines (starting from €5,000 up to €20,000) depending on delay length.

Advance Pricing Agreements (APAs)

Cyprus provides a mechanism for **unilateral, bilateral, or multilateral APAs**, offering certainty on the TP methodology in advance for specific transactions.



Visit the [Frequently Asked Questions Section of the Cyprus Tax Department](#) for specific scenarios and queries.

Contact us

If you would like to discuss further, please get in touch with:



Valentinos G. Pavlides

Partner, Tax Services & Transfer Pricing Services

+357 22 458500

v.pavlides@bakertilly.com.cy

Nicosia, Cyprus



Argyris Emmanouil

Senior Manager – Transfer Pricing Services

+357 22 458500

a.emmanouil@bakertilly.com.cy

Nicosia, Cyprus

Baker Tilly South East Europe, trading as Baker Tilly South East Europe, is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Baker Tilly South East Europe is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly South East Europe, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

Now, for tomorrow

