

Cyprus - Two important transfer pricing developments effective from tax year 2026

At a glance

- Circular 5/2026 revises the simplified / safe harbour minimum and maximum return measures for specified controlled financing arrangements from tax year 2026.
- A new Financial Transactions Schedule must also be completed and filed for qualifying controlled financing transactions, using the Tax Department's mandatory Excel template.

1. Revised simplified / safe harbour returns for controlled financing transactions

The Cyprus Tax Department issued Circular 5/2026 on 12 October 2026, revising the minimum and maximum return measures set out in paragraphs 14, 18 and 25 of Circular 6/2023. The revised measures apply from tax year 2026. Existing percentages continue to apply until the Tax Department announces the effective date of the revised percentages through a separate communication.

Transaction	Functional outcome	Minimum/Maximum return for tax years 2022–2025	Revised Minimum/Maximum return for tax year 2026
Provision of financing to connected persons funded by debt instruments	The tested business does not control the relevant financial risks and lacks the financial capacity to assume such risks.	Minimum 2.50%	Minimum 0.50%
Provision of financing to connected persons funded by debt instruments	All other financing transactions falling within the ambit of Paragraph 14 of Circular 6/2023, with the sole exception being where the tested business does not control the relevant financial risks and lacks the financial capacity to assume such risks.	Minimum 2.50%	Minimum 2.00%
Provision of financing to connected persons funded by equity	Loans or cash advances provided to connected persons that are equity-funded.	10-year government bond yield of the borrower's jurisdiction* + 3.50%	10-year government bond yield + 2.25%
Receipt of financing from connected persons used for business purposes	Loans or cash advances received from connected persons.	Cyprus 10-year government bond yield + 1.50%	Cyprus 10-year government bond yield + 1.75%
Low value-adding services	Business engages in controlled transactions involving low value-adding services.	5% mark-up	5% mark-up

Additional clarifications

- Where a financing arrangement is denominated in a currency different from the relevant 10-year government bond, the corresponding bond yield in the financing currency should be used, where available.
- If no such bond yield is available, the taxpayer may request guidance from the Tax Department’s International Tax Affairs Unit on an equivalent reference rate or rate of return.
- The minimum 5% profit mark-up for low value-adding services under paragraph 31 of Circular 6/2023 remains unchanged, as do the other simplification measures not specifically amended by Circular 5/2026.

2. New Financial Transactions Schedule from tax year 2026

By letter dated 12 October 2026, the Cyprus Tax Department introduced a new obligation to complete and submit a Financial Transactions Schedule from tax year 2026. The Schedule standardises the disclosure of specified information contained in the Cyprus Local File for controlled financing transactions.

Who must file

The Schedule applies to persons within Article 33(7) of the Income Tax Law where their controlled transactions in the “Financing Transactions” category, in aggregate and determined on an arm’s length basis, exceed or would exceed the threshold provided in Article 33(9).

Provision of financing	Receipt of financing
Receivable Loans	Payable Loans
Trade receivables of a financing nature	Trade payables of a financing nature
Other receivables of a financing nature	Other payables of a financing nature

The Schedule captures the above controlled financing transactions where, following accurate delineation, the arm’s length remuneration is determined through an interest rate, irrespective of the amount of each individual transaction. Explicit guarantees and cash-pooling arrangements are excluded.

Mandatory format, submission and quality assurance

- The Tax Department’s Excel template is mandatory and includes automated validation checks. The Schedule must be prepared and submitted exclusively in that file.
- The Schedule will be filed electronically through Tax For All as an attachment to the Summary Information Table for Controlled Transactions.
- Because the disclosed information and benchmarking results form part of the Cyprus Local File content under K.D.P. 314/2022, the Schedule is subject to the quality assurance review required by Regulation 3(3) of K.D.P. 273/2022 before filing.
- The quality assurance review must be performed by a person holding a practising certificate from the Institute of Certified Public Accountants of Cyprus.

PRACTICAL IMPLICATION

Taxpayers should build the Schedule into the 2026 Local File workflow rather than treating it as a final compliance attachment. The data, accurate delineation and benchmarking outputs should be reconciled before the statutory quality-assurance review.

Immediate next steps

- ✓ Download and use the official template and completion guide.
- ✓ Map all controlled interest-bearing receivables and payables to the Schedule's categories.
- ✓ Reconcile the Schedule to the Summary Information Table, Local File, legal agreements, trial balance and benchmarking analysis.
- ✓ Plan sufficient time for the mandatory quality assurance review before electronic filing through Tax For All.

Official resources

The mandatory template and completion guide are available on the Cyprus Tax Department website: [Financial Transactions Schedule - template and guide](#).

This Tax Flash is intended as a general summary and does not constitute tax or legal advice. Specific advice should be obtained before taking or refraining from any action.

Contact us

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



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

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