

Below is an English translation of the official examples on the 2026 tax reform for individuals who are Cyprus tax residents.^[1]

Heading

Examples of application of the tax reform for individuals who are tax residents of Cyprus (from tax year 2026).^[1]

Example 1 – Family with two children and mortgage interest, within income criterion

Case: Spouses or Civil Union partners with two common minor dependent children. During the tax year they paid €5.000 in interest on a serviced housing loan for their primary residence. The father has gross income of €60.000 and the mother €35.000.^[1]

Income: The spouses/partners and their two children form a family. Total gross family income is €95.000.^[1]

Income criterion: For a family with two children, the threshold is €100.000.^[1]

Result: The income criterion is met and each parent is entitled to a dependent-child deduction of €2.250 (€1.000 for the first child and €1.250 for the second). In addition, each spouse/partner is entitled to a deduction of up to €2.000 for the housing-loan interest.^[1]

Example 2 – Cohabiting couple (no Civil Union) with two children and mortgage interest, within income criterion

Case: Cohabiting partners without Civil Union with two common minor dependent children. During the tax year they paid €3.000 in interest on a serviced housing loan for their primary residence. The father's gross income is €60.000 and the mother's €35.000.^[1]

Income: Although they are not in a Civil Union, because they have common children, the two partners and their two dependent children are treated as a family. Total gross family income is €95.000.^[1]

Income criterion: For a family with two children, the threshold is €100.000.^[1]

Result: The income criterion is met and each parent is entitled to a dependent-child deduction of €2.250. In addition, the two partners together are entitled to a total interest deduction of €3.000, i.e. the actual housing-loan interest. This €3.000 can be allocated between them as they jointly choose, provided neither claims more than €2.000.^[1]

Example 3 – Family with three children and electric-vehicle purchase, outside income criterion

Case: Spouses with three common dependent children. In the tax year they spent €50.000 to purchase an electric vehicle. One spouse has gross income €90.000 and the other €65.000.^[1]

Income: The spouses and their three children form a family. Total gross family income is €155.000.^[1]

Income criterion: For a family with three or four children, the threshold is €150.000.^[1]

Result: The parents are not entitled to the dependent-child deduction nor to the electric-vehicle deduction, either in the year of purchase or by carry-forward, because their income exceeds €150.000.^[1]

Example 4 – Single person with two dependent children paying rent, outside income criterion

Case: Divorced father living alone (single person) with two dependent children whose usual residence is with their mother. He pays €4.800 annual rent for his primary residence. His gross income is €42.000.^[1]

Income: He is a single person with gross income of €42.000.^[1]

Income criterion: For single persons the threshold is €40.000.^[1]

Result: Although he has joint parental responsibility, he is not entitled to either the dependent-child deduction or the primary-residence rent deduction because his income exceeds €40.000.^[1]

Example 5 – Single person with two dependent children paying rent, within income criterion

Case: Same facts as Example 4, but the father's gross income is €38.000. He still pays €4.800 rent and the children reside with the mother.^[1]

Income: He is a single person with gross income of €38.000.^[1]

Income criterion: For single persons, the threshold is €40.000.^[1]

Result: As a single person below €40.000, he is entitled to a child deduction of €2.250 (€1.000 for the first child and €1.250 for the second) and a primary-residence rent deduction of €2.000.^[1]

Example 6 – Single-parent family within income criterion

Case: Unmarried mother living with one minor child. During the year she paid €5.000 in interest on a serviced housing loan for her primary residence. Her gross income is €80.000.^[1]

Income: The mother and child form a single-parent family with gross income of €80.000.^[1]

Income criterion: For a single-parent family with one child, the threshold is €100.000.^[1]

Result: The mother is entitled to a doubled child deduction of €2.000 for the one dependent child, and a €2.000 deduction for housing-loan interest.^[1]

Example 7 – Family with working student and subsidised mortgage interest, within income criterion

Case: Spouses or Civil Union partners with one child, a 22-year-old student. During the year they incurred €3.500 interest on a serviced housing loan for their primary residence and received a subsidy of €1.000, so net interest expense is €2.500. One parent has gross income €60.000 and the other €38.000. The student works part-time with gross income €5.000.^[1]

Income: The spouses/partners and their student child form a family. Parents' income totals €98.000. The student's employment income is excluded from family-income calculation, so gross family income remains €98.000.^[1]

Income criterion: For a family with one child, the threshold is €100.000.^[1]

Result: Each parent is entitled to a €1.000 child deduction, and each is entitled to up to €2.000 interest deduction, but together they cannot claim more than the actual €2.500 interest. They may split the €2.500 between their returns as they wish.^[1]

Example 8 – Civil Union partners with common and non-common children paying rent, within income criterion

Case: A parent with two dependent children from a previous marriage enters a Civil Union with a partner and together they have one common dependent child. All live together (three children in total). The partners pay annual rent of €9.000 for their primary residence in Cyprus. Their combined gross income is €140.000.^[1]

Income: The Civil Union partners, the two step-children and the common child form a family. Gross family income is €140.000.^[1]

Income criterion: For a family with three children, the threshold is €150.000.^[1]

Result:

- The parent of the two older children is entitled to a child deduction of €3.750 (€1.000, €1.250 and €1.500 for the three dependent children).
- The partner is entitled only to €1.000 child deduction for the one common child (not for the step-children).
- Each partner is entitled to a €2.000 rent deduction for the primary residence.^[1]

Example 9 – Cohabiting partners (no Civil Union) with common child, within income criterion

Case: Two partners without Civil Union cohabit with one common dependent child. One has gross income €35.000 and the other €53.000.^[1]

Income: Because they have a common child, they and the child form a family. Gross family income is €88.000.^[1]

Income criterion: For a family with one child, the threshold is €100.000.^[1]

Result: Each parent is entitled to a €1.000 child deduction for the one dependent child.^[1]

Example 10 – Spouses with two children where one spouse is not a Cyprus tax resident, within income criterion

Case: Two spouses have two common children living under the same roof with one parent. The other parent is a non-resident of Cyprus, stays in the same home when in Cyprus and has income abroad. The Cyprus-resident spouse has gross income €30.000; the non-resident spouse has gross foreign income €65.000.^[1]

Income: Both spouses and the two dependent children form a family. Gross family income is €95.000.^[1]

Income criterion: For a family with two children, the threshold is €100.000.^[1]

Result:

- Since family income is below €100.000, the spouse who is a Cyprus tax resident is entitled to child deductions of €1.000 and €1.250.
- The non-resident spouse is not entitled to child deductions.
- However, to grant the deduction to the resident spouse, the non-resident spouse must file an income-tax return declaring all their income so that it is counted in the family-income test.
- Both spouses must file their returns on time.^[1]

Example 11 – Divorced parent who remarried, with rent and EV purchase, outside income criterion

Case: A divorced father has a dependent child from a previous marriage. He remarries and lives with his new wife and that child in a rented apartment with annual rent of €8.000. In January 2026 the couple purchase a new electric vehicle for €40.000. The father's gross income is €60.000; his new wife's income is €50.000.^[1]

Income: As he has remarried, the father is no longer a single parent. Together with his new wife and dependent child they form a family with gross income €110.000.^[1]

Income criterion: As a family with one child, the threshold is €100.000.^[1]

Result: Since family income exceeds €100.000, neither the father nor the new wife is entitled to: the €1.000 child deduction, the €2.000 rent deduction, or the €1.000 electric-vehicle deduction.^[1]

Example 12 – Divorced parent not living with the child, PV expenditure, within income criterion

Case: A divorced mother has one dependent child living with the father. She has not remarried and has no Civil Union partner. In 2026 she installs a photovoltaic system on her owner-occupied residence at a cost of €4.000 and receives a state grant of €1.000. Her gross income is €37.000.^[1]

Income: As she has not remarried, has no Civil Union and does not live with a dependent child, she is a single person (not a single parent). Her total gross income is €38.000 (€37.000 plus the €1.000 grant).^[1]

Income criterion: As a single person, her threshold is €40.000.^[1]

Result: Since her income is below €40.000, in 2026 she is entitled to:

- €1.000 child deduction; and
- €1.000 deduction for the PV installation.

Of the €4.000 PV cost, after deducting the €1.000 grant and the €1.000 claimed in 2026, the remaining €2.000 can be claimed as €1.000 in 2027 and €1.000 in 2028, provided her gross income in those years does not exceed €40.000 and she remains a single person. The €1.000 grant is included for family-income purposes but is not taxed.^[1]

Example 13 – Divorced parent living with a new partner, paying rent

Case: A divorced father has one dependent child living with his ex-wife. In 2026 he cohabits with a new partner (no Civil Union, no common children) in rented accommodation with annual rent of €8.000, shared equally. His gross income is €37.000; his partner's is €42.000.^[1]

Income: Since they are not married, in Civil Union or parents of a common child, they are not treated as a family. The father is not a single parent because he does not live with his dependent child. Both are treated as single persons with individual incomes of €37.000 and €42.000.^[1]

Income criterion: For single persons the threshold is €40.000.^[1]

Result:

- The father, with income below €40.000, is entitled to a €1.000 child deduction and a €2.000 rent deduction for his primary residence.
- The partner, with income above €40.000, is not entitled to a rent deduction or any of the new personal deductions.^[1]

Example 14 – Children of one spouse, mortgage interest and natural-disaster insurance, within income criterion

Case: A mother has two dependent children from a previous marriage. She remarries a man who has three dependent children from his previous marriage. All seven live together in a detached house owned by the mother. In 2026 they pay €7.000 interest on the mortgage used to acquire the house (the loan is serviced at 31 December 2026). The house is insured against natural disasters and the 2026 premium is €600. The mother's gross income is €80.000; her new husband's €110.000.^[1]

Income: The mother, her two children, the new husband and his three children form a family. Gross family income is €190.000.^[1]

Income criterion: As a family with five children living under the same roof, the threshold is €200.000.^[1]

Result: Since family income is below €200.000:

- The mother is entitled to €2.250 child deduction for her two children and €2.000 interest deduction for the serviced mortgage.
- The husband is entitled to €3.750 child deduction for his three children and €2.000 mortgage-interest deduction.

The home-insurance deduction against natural disasters is granted regardless of income. Each spouse can claim up to €500, but the total claimed by both together cannot exceed the actual €600. The €600 may be split between them as they choose, subject to €500 per person. The mortgage-interest deduction can be granted to both spouses provided the primary residence is owned by at least one of them and the loan is in at least one of their names; therefore, although the house is owned only by the mother, the husband is also entitled to the interest deduction.^[1]

Example 15 – Children who cease to be dependent, within income criterion

Case: A mother with two children from a previous marriage marries a widower with three children. All five children lived with them until age 18. On 31 December 2026, the mother's two children and two of the husband's children are over 25 (no longer dependent), and the husband's third child is 23 and a student (still dependent). In 2026 living under the same roof were one of the mother's children and the husband's dependent student child. The 2026 gross income is: mother €70.000; husband €80.000; the mother's child living with them €40.000; the husband's dependent student child €15.000 from employment.^[1]

Income: The mother, her two children, the husband and his three children form a family. Gross family income is €190.000 (€70.000 + €80.000 + €40.000). The student's employment income is excluded from family-income calculation.^[1]

Income criterion: They are a family with five children (who have lived under the same roof) and at least one dependent child remains, so the threshold is €200.000.^[1]

Result: As family income is below €200.000, the father is entitled to a €1.000 child deduction for his one dependent child. The mother is not entitled to child deductions because she has no dependent children.^[1]

Example 16 – Children from previous Civil Union and electric-vehicle purchase, within income criterion

Case: A mother has two dependent children from a previous Civil Union. She marries a man with no children and they have no common children. All live together. In January 2026 they purchase a new electric vehicle for €50.000 and receive a state grant of €9.000. The mother's gross income is €40.000; the husband's is €50.000.^[1]

Income: The mother, her two children and her new husband form a family. Gross family income is €99.000 (€40.000 + €50.000 + €9.000 grant).^[1]

Income criterion: As a family with two children, the threshold is €100.000.^[1]

Result for 2026:

- The mother is entitled to €2.250 child deduction for her two dependent children and €1.000 deduction for the new electric vehicle.
- The husband is entitled only to a €1.000 electric-vehicle deduction, since he is neither biological nor adoptive father of the children.

For the remaining EV cost, both can claim €1.000 each in every year 2027–2030, provided family income in each year stays within the threshold. If, for example, income is below the threshold in 2027 and 2029 but above it in 2028 and 2030, they may claim the €1.000 each only in 2027 and 2029.¹¹

1. Paradeigmata-PhM2026.pdf
2. Epexegematikos-odegos-phorologikes-metarruthmises-gia-PhP-pou-einai-phorologikoi-katoikoi-Kuprou.pdf
3. 2026-TPh-59.pdf
4. Sukhnes-Eroteseis_Apanteseis-gia-PhM2026.pdf