

Below is an English translation of the Q&A, published by the income tax office.^[1]

Title and scope

Frequently Asked Questions and Answers – Tax Reform 2026 for Individuals.^[1]

A. Year of application, tax-free amount, tax bands, filing obligation

1. From which tax year do the tax-reform changes apply?

They apply from tax year 2026.^[1]

2. When must the tax return for 2026 be submitted?

The 2026 tax return must be submitted during 2027, with a filing deadline of 31 July 2027.^[1]

3. What is the tax-free amount?

The tax-free amount (taxable income taxed at 0%) is increased from €19.500 to €22.000 as from tax year 2026.^[1]

4. What is taxable income?

Taxable income is the net amount subject to tax after deducting exemptions and deductions allowed by tax law.^[1]

5. How have the tax bands changed from 2026?

From tax year 2026 the tax bands are: 0%: €0–€22.000; 20%: €22.001–€32.000; 25%: €32.001–€42.000; 30%: €42.001–€72.000; 35%: over €72.001.^[1]

6. Who is obliged to submit a tax return for 2026 and onwards?

Any person who (a) has gross income falling under article 5 of the Income Tax Law (business, employment, dividends, interest, pensions, rents, IP, sale of crypto-assets, etc.), or (b) is a Cyprus tax resident and has reached age 25 but not 71 by 31 December of the tax year, irrespective of income.^[1]

7. Who is not obliged to submit a tax return from 2026?

A person with no gross income who by 31 December has not yet reached 25 or has already reached 71.^[1]

The Council of Ministers may, by Decree, exempt categories of persons from the filing obligation.^[1]

B. New personal deductions and conditions

8. What new personal deductions does the reform introduce?

Personal deductions for:

- Dependent children
- Rent or interest on a serviced housing loan for primary residence
- Expenditure for energy upgrade of primary residence and purchase of electric vehicle, granted according to family status and income criteria.^[1]

9. Do the new personal deductions reduce the taxable income used for the 1/5 cap?

No, they do not reduce the taxable income on which the 1/5 maximum deduction for insurance premiums, GHS and fund/scheme contributions is calculated; they are additional.^[1]

10. Are the new personal deductions counted within the 1/5 cap with premiums and contributions?

No, they are not included in the 1/5 limit together with insurance, GHS and fund/scheme contributions.^[1]

11. Are the new personal deductions reported on Form TD59?

Yes, they are declared on TD59 (Declaration for claiming tax deductions for PAYE calculation). The final deduction amount per category is stated (e.g. €2.250 for two dependent children), without showing income criteria or number of children.^[1]

12. What are the basic conditions for granting the new personal deductions?

- Spouses/partners (with or without Civil Union) with common children must consent to mutual disclosure of tax data so family income can be checked against the income thresholds.
- Tax returns of spouses/partners or of single persons must be submitted within statutory deadlines.^[1]

13. What are the income criteria for families?

Total gross family income must not exceed: €100.000 (no, one or two children); €150.000 (three or four children); €200.000 (five or more children).^[1]

14. How is gross family income calculated?

It includes all gross income in the year of all family members from employment, self-employment,

pensions, rents, interest, dividends, alimony, CAPO subsidies, public assistance and any other grants, benefits and income sources in Cyprus or abroad; if the taxpayer cohabits with someone with whom they have common children, that person's income is also included.^[1]

15. Which incomes are excluded from gross family income?

Children's income from work when they are full-time pupils/students, child benefit, student grant and welfare, scholarships, and benefits/grants to destitute persons with disabilities or chronic illnesses.^[1]

16. What counts as "family" for family-income purposes?

Families include: cohabiting parents and all children under the same roof, single/widowed/divorced parent with children, orphans living with the custodian, married parent with spouse in prison ≥ 6 months, and spouses/partners with Civil Union who have no common children or do not live with their or their partner's children. A dependent child over 18 need not reside in the family home but is allocated to the mother's family (or father's if no mother).^[1]

17. What is a "single-parent family"?

A family where one parent lives with at least one dependent child and has no spouse/Civil Union partner or other person with whom they have common children (because they are unmarried, widowed, divorced or the other parent is missing), or a married parent living alone with at least one dependent child because the other parent is imprisoned ≥ 6 months. They must live with and have custody of the child and have no partner with common children.^[1]

18. Why distinguish "dependent children" from "children"?

So that the income threshold reflects the real family size, while the child deduction applies only to children who still qualify as dependent.^[1]

19. What does "children" mean for income-criteria purposes?

All legal children, step-children, children born out of wedlock and legally adopted children whose usual residence is or was the primary family home, provided at least one dependent child remains in the family at 31 December; usually a child's residence is with the mother. Step-child means the child of a spouse/partner who is not the other spouse's/partner's child.^[1]

20. Are children of only one spouse/partner counted for the family-income criteria?

Yes, provided at least one dependent child remains in the family at year-end.^[1]

21. Are children over the age limits for dependency still counted for income-criteria purposes?

Yes, they are counted, as long as at least one dependent child remains in the family at 31 December.^[1]

22. Are married, working, unemployed etc. children counted for income-criteria purposes?

Yes, provided at least one dependent child remains in the family at 31 December.^[1]

23. Who is a “single person” and what are the criteria?

A person living without dependent children, spouse or Civil Union partner whose total gross income does not exceed €40.000. Someone cohabiting only with persons outside these categories is still treated as single.^[1]

24. What are the deductions for dependent children and who receives them?

Each biological/adoptive parent receives per dependent child: €1.000 (first child), €1.250 (second), €1.500 (third and each additional).^[1]

25. What is a “dependent child” for which the deduction is granted?

A biological or legally adopted child who on 31 December is: under 18; or a secondary-school pupil under 20; or a National Guard soldier under 21; or a student under 24; or permanently unable to support themselves (any age).^[1]

26. What are the criteria for the child deduction in single-parent families?

The same family-income criteria apply by number of children, and the child deduction per dependent child is doubled for the single parent.^[1]

27. Does a parent with joint custody but not living with the child get the child deduction?

Yes, under conditions:

- Single: €40.000 income threshold
- Member of a family (spouse/Civil Union) with no children in the home: €100.000 threshold
- Member of a family with other children in the home: threshold depends on number of children
- Cohabiting (no Civil Union) with a partner with a common child: treated as family; threshold by number of children in the home.^[1]

C. Rent or interest on serviced housing loans – primary residence

28. What is the deduction amount for housing-loan interest or rent for primary residence?

Deduction for the amount of interest and/or rent paid in the year, capped at €2.000 per spouse/partner/single person.^[1]

29. If in the same year I pay both interest and rent for a primary residence, can I get €2.000 for each?

No; the total maximum deduction in the same tax year for both interest and rent together is €2.000.^[1]

30. If my housing loan has been restructured, is it considered a serviced loan for the €2.000 deduction?

Yes, provided instalments are paid regularly up to 31 December of the tax year.^[1]

31. Is the interest/rent deduction subject to income criteria?

Yes, it is based on the income criteria by number of family children.^[1]

32. If my interest/rent is more or less than €2.000, what is the deductible amount?

If higher, the deduction is capped at €2.000; if lower, the actual amount paid is deductible.^[1]

33. What further conditions apply for the interest/rent deduction?

- For interest, the residence must belong to at least one spouse/partner or the single person.
- The loan must be in at least one of their names.
- State subsidies or allowances reduce the eligible amount.
- Rent must be paid to the owner via bank transfer, card or recognised electronic payment method.^[1]

D. Deduction for energy-upgrade expenditure and electric vehicles

34. What is the deduction amount for energy-upgrade/capital expenditure and electric vehicles?

Deduction of the actual expenditure, capped at €1.000 per spouse/partner/single person per tax year.^[1]

35. Is this deduction subject to income criteria?

Yes, based on the income criteria by number of family children.^[1]

36. What types of capital expenditure qualify?

Expenditure on:

- Energy-efficiency improvement of primary residence
- Technical energy-efficiency systems, renewable-energy systems and electricity-storage batteries in primary residence
- Electric vehicles registered with the Department of Road Transport.^[1]

37. Can an individual claim more than €1.000 if the actual expenditure is higher?

No; however, any excess expenditure can be carried forward and deducted up to €1.000 per year for the next four years, subject to the income criteria each year.^[1]

38. What further conditions apply for the energy-upgrade deduction?

- Any state grant/subsidy (e.g. “Photovoltaics for All”) reduces the eligible expenditure.
- The primary residence must belong to at least one spouse/partner or the single person.
- The total deduction for both spouses/partners or the single person cannot exceed the total actual expenditure.^[1]

39. What is “improvement of energy efficiency of primary residence”?

Expenditure for: (i) thermal insulation of horizontal structural elements; (ii) thermal insulation of walls and load-bearing elements; (iii) replacement of frames/windows.^[1]

40. What are “technical energy-efficiency systems, renewable energy systems and batteries”?

Expenditure for: (i) insulation of hot-water pipes; (ii) heat-recovery systems; (iii) energy-management systems; (iv) high-efficiency CHP systems; (v) net-billing or stand-alone photovoltaic systems; (vi) purchase and installation of electricity-storage batteries.^[1]

41. What is “expenditure for electric vehicles”?

Expenditure for: (i) new category M1 electric vehicles; (ii) AC or DC charging stations for electric vehicles. “New” means delivered within 6 months of first registration or having travelled up to 6.000 km, whichever occurs first.^[1]

E. Deduction for home insurance against natural disasters

42. What is the deduction for home insurance against natural disasters (fire, earthquake, flood, etc.)?

Maximum deduction €500 per owner per tax year, for all premiums and all residences together.^[1]

43. Does this deduction apply only to primary residence?

No; it also applies to holiday and rented residences.^[1]

44. Is this deduction subject to income criteria?

No, it is not based on income criteria.^[1]

45. How does this deduction affect the 1/5 maximum deduction?

The home-insurance deduction reduces net income used to compute the 1/5 cap but is not counted within the deductions limited to 1/5 (insurance premiums and fund/scheme contributions).^[1]

46. Is the deduction exclusively for insurance against natural disasters?

No; the policy may also cover other risks, e.g. theft.^[1]

F. Deduction for disability-insurance policies

47. Is there a deduction for disability-insurance premiums in addition to life-insurance premiums?

Yes; in addition to life-insurance premiums, a deduction is granted for premiums paid from 1.1.2026 for permanent and/or temporary, total and/or partial disability cover.^[1]

48. Does the 7% limit apply?

Yes; as with life insurance, the deduction is limited to 7% of the insured amount payable by the insurer in case of disability.^[1]

49. Is this deduction counted within the 1/5 cap?

Yes; it is counted together with other insurance premiums and fund/scheme contributions, all limited to 1/5 of net income.^[1]

50. How is partial surrender of a life-insurance policy taxed?

- If less than 4 years have elapsed since policy inception, 50% of the partial-surrender amount is added to taxable income in the year of surrender.
- If 4 or more years have elapsed, 50% of the amount exceeding the cash-surrender value at 31 December of the 4th year preceding the surrender year is added.
The cash-surrender value is reduced by any excess of partial surrenders in the previous 3 years over premiums paid in those years.^[1]

G. Abolition of Special Defence Contribution on rental income

51. Do I still pay Special Defence Contribution on rental income?

No; from 1 January 2026 SDC on rents is abolished. Rental income is only subject to income tax and GHS contributions.^[1]

52. How and when do I pay income tax on rental income from 2026?

Via provisional income-tax declarations in two instalments on 31 July and 31 December of each tax year.^[1]

53. If my tenant is a company, will it continue to withhold GHS from the rent?

Yes; legal entities remain obliged to withhold GHS when paying rent.^[1]

54. If no GHS was withheld from my rents, how and when do I pay it?

By self-assessment in two instalments on 31 July and 31 December of the tax year.^[1]

55. Can I continue to collect rents in cash or by cheque?

No; from 1 July 2026, rents for Cyprus properties must be collected only via bank transfer, card payment or another recognised electronic means of payment.^[1]

1. Sukhnes-Eroteseis_Apanteseis-gia-PhM2026.pdf

2. Epexegetikos-odegos-phorologikes-metarruthmises-gia-PhP-pou-einai-phorologikoi-katoikoi-Kuprou.pdf

3. 2026-TPh-59.pdf