

CLIENT CIRCULAR – PROVISIONAL (TEMPORARY) TAX 2026

To: All Clients

From: P & P ADVISORY SERVICES LIMITED

Date: 11 May 2026

Re: Obligation for Submission and Payment of Provisional (Temporary) Tax – Tax Year 2026

Dear Client,

We would like to bring to your attention your **statutory obligations** regarding the Provisional (Temporary) Tax for the tax year 2026, in accordance with **Article 24 of the Assessment and Collection of Taxes Law (as amended)** and the relevant provisions of the **Cyprus Income Tax Law**.

1. Who Is Obligated

The following taxpayers are required to submit a Provisional Tax Declaration and settle the resulting tax in two (2) equal instalments:

- **Cyprus tax resident companies** with estimated taxable income for the year 2026
- **Self-employed individuals and other persons** whose income includes sources other than salaries, pensions, dividends, and interest

Please note: If no taxable income is expected for 2026, there is **no obligation** to submit a provisional tax declaration or make any payment.

2. Tax Rate Applicable for 2026

In line with the **Cyprus Tax Reform effective 1 January 2026**, the following tax rates apply for the calculation of provisional tax:

Taxpayer Category	Applicable Rate
Companies (legal entities)	15% (increased from 12.5%)
Individuals – income up to €22,000	0%
Individuals – €22,001 – €32,000	20%
Individuals – €32,001 – €42,000	25%
Individuals – €42,001 – €72,000	30%
Individuals – above €72,000	35%

The increase in the corporate income tax rate to **15%** applies to profits of **2026 onwards**, aligning Cyprus with the OECD Pillar Two global minimum tax standard.

3. Payment Schedule – Key Deadlines

The provisional tax must be settled in **two equal instalments** as follows:

Instalment	Statutory Deadline	Effective Deadline (no interest/penalty)
1st Instalment	31 July 2026	31 August 2026
2nd Instalment	31 December 2026	31 January 2027

Payment of the 1st instalment can be made up to **31 August 2026** without interest or penalties. Similarly, the 2nd instalment can be settled up to **31 January 2027** without interest or penalties.

4. Basis of Calculation

The provisional tax should be based on your **best estimate of net taxable income** for the full year 2026, applying the applicable tax rate. Each instalment equals **50% of the total estimated tax liability**:

Estimated Taxable Income × Applicable Rate = Total Provisional Tax

Each Instalment = Total Provisional Tax ÷ 2

5. Revision of Provisional Tax Declaration

A revised provisional tax declaration may be submitted at any time **prior to 31 December 2026**:

- **Upward revision:** Additional tax on the 1st instalment will attract **interest at 5.5% per annum** on a monthly basis on the difference.
 - **Downward revision:** Must be submitted by 31 December 2026; any refund will only be returned after examination of the final tax return by the Tax Department.
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6. Penalties and Surcharges

Situation	Consequence
Late payment after effective deadline	Interest at 5.5% p.a. + 5% penalty on unpaid tax.
Tax unpaid 2 months after due date	Additional 5% penalty may be imposed.
Provisional income < 75% of final taxable income.	10% surcharge on difference between final tax due and provisional tax paid.

To avoid the 10% surcharge, ensure your provisional declaration reflects **at least 75% of your actual expected income for 2026**.splcy+1

7. Newly Incorporated Companies

For companies **incorporated between 1 July and 31 December 2026**, there is no obligation to pay the 1st instalment. The total provisional tax for 2026 may instead be paid in full by **31 December 2026**.

8. Payment Methods

Payments can be made via:

- **JCC Smart:** www.jccsmart.com
 - **Online banking** via a Cypriot bank account (using the Payment Reference Number from the Tax Portal)
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9. Action Required

You can either proceed and file the declaration as per above or request for our services at a fee that must be agreed in advance.

To enable us to prepare and submit your provisional tax declaration in a timely manner, kindly provide us with your **estimated net taxable income for 2026** no later than **10 July 2026**. If we do not receive the necessary information by that date, we will be unable to guarantee timely submission and accept no liability for any resulting interest or penalties.

10. Contact Us

Should you have any questions, please do not hesitate to contact our office.

Yours faithfully,

P & P ADVISORY SERVICES LIMITED

This notice is for general information purposes. Clients are advised to contact our office for advice specific to their circumstances.

Key points incorporated in this circular:

- **Article 24** of the Assessment and Collection of Taxes Law as the legal basis.
- The **new 15% corporate tax rate** effective for 2026 profits.
- Updated **income tax bands** for individuals under the 2026 reform.
- The **75% rule** and 10% surcharge for underestimations.
- **5.5% interest rate** on late/revised payments.
- Guidance for **newly incorporated companies**.
- **Payment channels** via JCC Smart, OR online banking.