

Cyprus Tax Alert

5th February 2024

Increase in the thresholds on the obligations for transfer pricing documentation

The Cyprus tax office has increased the thresholds applicable to taxpayers' transfer pricing documentation obligations, with retrospective effect as from the tax year 2022.

In accordance with the tax legislation, the Local File obligation arises for connected persons that are tax residents in Cyprus, or permanent establishments in Cyprus of non-tax-resident persons (Liable Taxpayers) if their transactions with connected persons either exceed (or should have exceeded based on the arm's-length principle) €750k in aggregate per category of transaction per tax year.

As a result of the discussions that took place with interested parties, , it was announced that there has been an increase in the thresholds as follows :

- From €750k to €5m for connected transactions falling under the category "Financing".
- From €750k to €1m for all other categories of connected transactions (i.e., "Goods," "Services," "Royalties and Other Intangibles" and "Other").

The increase of the threshold is effective for the tax year 2022 and the relevant amendment of the tax legislation expected to be completed at a later date.

The provisions of Circular 6/2023 regarding the application of simplification measures for taxpayers that are exempt from the requirement to prepare Cyprus Local File continue to apply.

Please do not hesitate to contact us for clarifications.

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