

Cyprus: Transfer Pricing Updated Thresholds from 01/01/2026

By PRIVEL PARTNERS

Cyprus has recently modified its Transfer Pricing legislation as part of the 2025 tax reform, effective from 1st of January 2026. The documentation thresholds for intragroup transactions have been revised as presented below:

- **EUR 10 million** for financial transactions
- **EUR 5 million** for trade-related transactions
- **EUR 2.5 million** for other transactions, such as services and intellectual property

The above new thresholds replace the previous ones, aiming to align the economic significance of each transaction with the compliance efforts, while preserving a risk-based approach to enforcement.

Notably, a director or officer who, alone or with associated persons, controls 50% or more of the voting rights of the board decisions is considered related party for Transfer Pricing purposes.

Circular 6/2023 remains in effect, meaning that documentation is still required below these thresholds, with optional safe harbor margins available for certain financing transactions and low value-adding services. Companies must also submit the Summary Information Table (SIT) along with their tax return, detailing transaction types, values, and the tax residency of the counterparties.

These updates strengthen Cyprus's commitment to a transparent and internationally aligned Transfer Pricing framework, while providing companies with more flexibility through the higher thresholds of documentation.

Why Taxpayers need to maintain and update Transfer Pricing Files?

Most jurisdictions require a Master File and Local File (and sometimes the submission of CbCR) to be prepared and presented on request by the tax authorities, for each year with related-party transactions. Failing to retain them can trigger penalties, reverse burden of proof, as well as more aggressive tax audits.

Maintaining and updating transfer pricing files is necessary to prove that your intra-group transactions are at arm's length, comply with local/OECD rules, and avoid painful tax adjustments and penalties. Regular updates also ensure that your documentation reflects how the business actually operates today, not how it looked several years ago.

Risk Management and Penalty Protection

Your main defense against a tax audit, consists of up-to-date reports, in order to present how intragroup prices were determined and explain the reason of being at arm's length, reducing the possibility of tax adjustments and double taxation.

Many countries grant penalty protection or reduced penalties if contemporaneous documentation exists and is updated annually, even if the tax authority disagrees with the profit margins.

Reflecting Business and Market Changes

Business models, functions, risks, and assets modifications (restructurings, new intangibles, new roles of entities), so static documentation quickly becomes inconsistent with reality and therefore defenseless.

Economic conditions and benchmarking information (e.g. profit margins) evolve, and not updating benchmark studies increases the risk that your tested party's profitability falls outside the arm's-length range.

Operational and Strategic Benefits

The documentation process presents a structured review of the supply chain, value creation, and intercompany flows, which frequently disclose inefficiencies or disarranged profit allocations.

The preparation of TP reports simplifies internal governance, supports management decisions on intragroup pricing and restructuring, and aids quicker responses to questions from auditors, banks, or investors.

Our team is ready to help you navigate the revised requirements and ensure full compliance of the intragroup pricing policies.

For further information or support, please contact our Transfer Pricing specialists at tp@privelpartners.gr

