



New Rules for Transfer Pricing as of 1 January 2022

On 30th of June 2022, the Cyprus Parliament has approved amendments to the Income Tax Law introducing detailed rules for the Transfer Pricing legislation. The legislation is **effective from 1 January 2022**, and it actually incorporates the OECD's TP Guidelines into the Cyprus legislation.

When the TP legislation applies

The new TP rules apply to transactions between related parties (either legal persons or individuals).

For the purposes of the legislation, it is clarified that two companies are considered as related parties if the same person (and its related persons) or a group of persons directly or indirectly:

- hold 25% of the share capital or voting rights of both companies, or
- have the right to at least 25% of both companies' income.

A company is considered as related to a physical person (and its related persons), if that person(s):

- hold 25% of its share capital or voting rights, or
- have the right to at least 25% of the company's income.

TP requirements

The TP legislation requires the preparation of a TP study related to the intercompany transactions to justify compliance with the arm length's principles (subject to a small size exemption where the intercompany transactions do not exceed the level of EUR€750.000 per annum per category) and the submission of a summary information table about the intercompany transactions and general information for the group, the business activities and the TP method used in the said transactions.



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The Tax Department is expected to issue a relevant circular providing guidelines about the required information needed to be kept for the TP Documentation (both the Master File and the Cyprus Local File).

Deadline for compliance

Same deadline with the Income Tax Return of the relevant year. Will be submitted together.

Penalties

Late submission of required information will give rise to penalties ranging from EUR€500 (for non-submission of the summary information table) to EUR€20.000 (for non-submission or late submission of the TP Documentation File to the Tax Department, upon request).