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Capital Gains Tax in Cyprus

The taxation of direct and indirect disposals of immovable property under the Capital Gains Tax Law of 1980 (Law 52/1980), as amended by the Capital Gains Tax (Amendment) (No. 3) Law of 2025 (Law 242(I)/2025), in force as from 1 January 2026

At a glance

Cyprus imposes Capital Gains Tax at a flat rate of 20% on gains arising from the disposal of immovable property situated in Cyprus, and from the disposal of shares in companies which hold such property, directly or indirectly. The tax applies regardless of the tax residence of the seller.

By the Capital Gains Tax (Amendment) (No. 3) Law of 2025 (Law 242(I)/2025), published in the Official Gazette on 31 December 2025 and in force as from 1 January 2026, the House of Representatives amended the Capital Gains Tax Law of 1980 (Law 52/1980) in material respects: the threshold at which shares in a company holding immovable property in the Republic constitute chargeable property was lowered; a proviso was introduced to section 9(2) governing the determination of the proceeds of disposal on a sale of such shares; the lifetime exemptions afforded to individuals were increased; and new exemptions and administrative charges were enacted. This note sets out the law as it now stands.

20%
Flat rate on the chargeable gain

20%
Property-value threshold for share disposals (previously 50%)

€150,000
Lifetime exemption on the principal private residence

1. What is chargeable

Capital Gains Tax is charged at 20% on gains accruing to any person, individual or company, resident or non-resident, from the disposal of:

- **Immovable property situated in Cyprus** — land, buildings and rights over land, including a registered lease exceeding 15 years.
- **Shares in companies holding immovable property in Cyprus**, directly or through subsidiaries, where at least **20%** of the market value of the shares derives from that property. It does not matter where the company is incorporated. A double tax treaty may keep a 50% test and prevails over domestic law.

> ### Amendments effected by Law 242(I)/2025
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> - The property threshold for share disposals was reduced from 50% to **20%**.
> - New proviso to section 9(2): where the market value of the shares is represented by, and derived essentially from, the market value of the immovable property, the proceeds of disposal of the property are taken to be the **proceeds of the shares as declared by the parties**, adjusted by the market value of any other assets and liabilities.
> - Lifetime exemptions for individuals were increased to €30,000 / €50,000 / €150,000.
> - New exemptions for listed shares and for land-for-units exchanges with developers.

2. How the gain is calculated

Chargeable gain = Disposal proceeds − (Indexed cost of acquisition + Indexed improvements + Disposal expenses) − Lifetime exemption (individuals only, once in a lifetime)

- The cost of acquisition and of any improvements is adjusted for inflation from the date incurred to the date of sale. Property acquired before 1980 takes its market value at 1 January 1980.
- Deductible expenses include interest on the acquisition loan, legal fees, transfer fees, licensed agent's commission and advertising.
- The date of disposal is the date of the sale agreement, not the date of transfer at the Land Registry.

Sale of shares

On a sale of shares in a property-rich company the tax is computed on the immovable property, not on the shares. Under section 9(2) the proceeds are computed exclusively by reference to the company's immovable property and are deemed equal to the amount the property would fetch if sold on the open market at the date of the share disposal, in the judgment of the Director. Under the proviso added from 1 January 2026, where the market value of the shares is represented by and derived essentially from the market value of the immovable property, the proceeds of the property are taken to be the proceeds of the shares as declared by the parties, adjusted by the market value of any other assets and liabilities of the company.

3. Capital gain or trading profit

Capital Gains Tax applies only to gains that are not taxed under the Income Tax Law. A person who buys and sells property as a business pays income tax on the profit instead. Whether a sale is trading or capital in nature is judged by the "badges of trade": the holding period, the number and frequency of similar sales, work done on the property before sale, the seller's profession and motive, how the purchase was financed, how the property was acquired and whether the proceeds are reinvested.

4. Exempt disposals

- Transfers by reason of death.
- Gifts between spouses, parents and children, and relatives up to the third degree of kindred.
- Gifts to the Republic, local authorities and approved charities.
- Exchanges of properties of equal value.
- Transfers of property or shares under an approved company reorganisation.
- Shares listed on a regulated market of a recognised stock exchange. NEW 2026
- Shares listed on an unregulated market, up to €50,000 of disposals per calendar year; shares held on 31 December 2025 are exempt without limit. NEW 2026
- Land transferred to a developer in exchange for units in the building to be constructed (αντιπαροχή), provided construction is completed within five years. NEW 2026

5. Lifetime exemptions for individuals

The exemption is available to individuals only, not to companies, and it is a **once-in-a-lifetime** allowance: it is not renewed on each sale. Where more than one head could apply to a disposal, the greater is taken. The total relief an individual can claim over his or her lifetime under all heads together cannot exceed €150,000.

Exemption	Until 31.12.2025	From 1.1.2026
General — any disposal	€17,086	**€30,000**
Agricultural land, where the seller's main occupation is agriculture	€25,629	**€50,000**
Principal private residence	€85,430	**€150,000**

Principal private residence: used exclusively as the owner's home for at least five years (not necessarily continuous), plot not exceeding 1,500 m², and sold within one year of ceasing to be so used.

6. Declaration, assessment and payment

- **Declaration and self-assessment (section 12(1)).** The disposer of property must, for every disposal, submit to the Commissioner within one month of the disposal, and in any event before the transfer of the property, a declaration of disposal in the approved form together with such further particulars as may be required, and must pay the tax as computed by him.
- **Declared proceeds (section 9(1)).** The proceeds of disposal are the amount declared by the parties. The Commissioner may, within six months of the declaration, investigate it; where the declaration is proved to be false, tax is charged on the difference between the declared and the proven proceeds, with interest from the date on which tax was paid on the declared amount.
- **Assessment (sections 13 and 14).** Where no declaration is submitted, the Commissioner may at any time assess the tax and serve notice of assessment. An additional assessment may be raised within three months of the self-assessment and payment, or at any time where the under-assessment is due to fraud or wilful default.
- **Time of payment (sections 16 and 17).** The disposer is bound to pay the tax at the time of disposal; where the sale agreement provides for payment of the price by instalments, the tax is paid, with interest, in proportion to the instalments. The tax is payable notwithstanding any objection or recourse unless the Commissioner orders a suspension, and no transfer of the property is effected before payment of the tax due, which is a charge on the immovable property, unless the Commissioner so orders. Contractual allocation of the tax between the parties does not affect the disposer's liability towards the Commissioner.

- **Interest (section 18).** Simple interest at the public rate of default interest runs on the tax from the expiry of one month from the date of disposal until payment.
- **Objections (section 15).** The objection and recourse provisions of the Assessment and Collection of Taxes Law apply; the Commissioner must determine an objection within two years of its submission.

Administrative charges (section 23A, as amended by Law 242(I)/2025)

- Failure to give notice, submit a declaration, furnish particulars or perform any duty within the period prescribed by the Law: **€250** for an individual and **€1,000** for a company.
- Failure to comply within the period (not less than sixty days) fixed in a notice served by the Commissioner: **€500** for an individual and **€2,000** for a company (€250 / €1,000 where the particulars concern another person).
- Failure to pay the tax by the prescribed date: a charge of **5%** of the tax due, and a further **5%** where the tax remains unpaid two months after the last day for payment.

These charges are without prejudice to the criminal offences under sections 20 to 23, including the offence of making a false declaration as to the proceeds of disposal.

7. Companies

A company, wherever incorporated, is chargeable at 20% on the gain from a disposal of property in the same way as an individual, computed under sections 6, 9 and 10, but the lifetime exemptions of section 5 are available to individuals only. Where the sale of immovable property forms part of the company's trade, the profit is assessed to income tax at the corporate rate and not to Capital Gains Tax (section 2, "gain"). The secretary, director, president or other senior officer of the company is responsible for doing every act required of the company under the Law (section 28), and the higher administrative charges of section 23A apply to the company. On a sale of the shares of the company rather than of the property, the tax is charged on the shareholder as disposer, on the basis set out in section 3 above. Where property is distributed to the shareholders on a reduction of capital, dissolution or liquidation, the distribution is treated as a dividend under the Special Contribution for the Defence Law, reduced by any Capital Gains Tax paid on the property.

How we can help

We advise on the structuring of property and share transactions, prepare the Capital Gains Tax computation and declarations, and represent clients before the Tax Department.

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This note is intended to provide general information on the subject and does not constitute legal advice. It reflects the Capital Gains Tax Laws of 1980 to (No. 3) of 2025, as in force on the date stated on the cover. For further information and for advice on specific transactions please contact us. Andreas Georghadjis LLC is registered in the Republic of Cyprus under number HE 258397.