

C. Savva & Associates Issues Guidance on the Implications of the 2026 Corporate Tax Reform for International Investors

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The company formation specialist has set out how the reformed framework, which has been in effect since the start of the year, affects companies and private investors operating across borders.

C. Savva & Associates, a firm specialising in Cyprus company formation, has published an assessment of the corporate tax reform that took effect on 1 January 2026 and its consequences for international companies and private investors. The firm released the guidance as businesses complete their first planning cycle under the revised framework, which was approved by the House of Representatives on 22 December 2025 and aligns the jurisdiction with current international tax standards while retaining established incentives for international business.

The central measure of the reform is an increase in the corporate income tax rate from 12.5 percent to 15 percent. The change brings the jurisdiction into line with the global minimum tax rate established under the OECD Pillar Two framework. According to the firm, the higher headline rate reflects a wider international trend rather than a loss of competitiveness, because the reform retains a range of exemptions and incentives

that continue to support international structures and long-term investment.

The reform also reduces the special defence contribution on dividends received by individual residents from 17 percent to 5 percent. It abolishes the deemed dividend distribution rules for profits arising from 2026 onward. The 120 percent super-deduction for qualifying research and development expenditure has been extended to 2030. The firm noted that these measures, taken together, simplify the treatment of profit distribution and remove several long-standing administrative obligations, contributing to a more transparent framework for both companies and individuals. The reform also extends the period over which tax losses may be carried forward, a measure the firm said offers additional support to companies during their early years of operation.

A further change concerns the definition of corporate tax residency. From 1 January 2026, a company incorporated under the Cyprus Companies Law is treated as tax resident in the jurisdiction unless an applicable double taxation treaty provides otherwise. Companies that transfer their registered office to the jurisdiction are treated in the same manner. The firm observed that the revised test reduces earlier uncertainty regarding the location of management and control and provides a clearer basis for determining where a company is resident for tax purposes. The firm noted that the change is particularly relevant at the point of company formation, since incorporation now establishes tax residency from the outset, a factor those setting up new entities should account for in their planning.

The firm indicated that the reform has practical consequences for the groups it advises, including international entrepreneurs, established companies seeking a base within the European Union, and private investors assessing the jurisdiction. Existing holding and trading structures may require review to confirm that they remain efficient under the new rules. Dividend planning warrants particular attention where profits were retained in earlier years and continue to fall under the previous rates during the transitional period set out in the legislation.

The managing director of C. Savva & Associates commented on the reform. "The direction of the reform is consistent with what international standards now require, and the framework has been designed to preserve the features that have made the jurisdiction attractive for many years," the managing director said. "The combination of a competitive rate, an extensive treaty network, and clearer residency rules continues to support companies that operate across more than one country. For most clients at this stage, the priority is a careful review of existing arrangements rather than any change of direction."

The jurisdiction has established itself as a base for international business over several decades, supported by membership in the European Union, an extensive network of double taxation treaties, and a stable regulatory framework. The reform preserves much of that foundation while increasing transparency and aligning reporting and enforcement with current European and OECD expectations. The firm described the result as a

more predictable environment for long-term planning.

Company formation is the core of the firm's work, supported by corporate administration, tax structuring, banking arrangements, and regulatory compliance. The firm stated that requests for structural reviews have increased since the reform took effect, as companies and investors confirm the position of their existing entities and assess the treatment of dividends, capital gains, and research and development expenditure under the revised rules.

The firm confirmed that it would continue to monitor the reform's implementation and any further guidance from the tax authorities. It would update its assessment as the first full filing cycle approaches. The transitional rules affecting dividends paid from profits earned up to the end of 2025 remain a particular focus for clients with retained earnings.

C. Savva & Associates is a firm specialising in Cyprus company formation, headquartered in Nicosia, Cyprus. Alongside the incorporation of Cyprus companies, the firm provides corporate administration, tax advisory, banking assistance, and regulatory compliance services to international companies, entrepreneurs, and private investors operating in or through the jurisdiction.

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