



## Cyprus Tax News

# Additional FAQs issued by the Cyprus Tax Department with respect to the Transfer Pricing Documentation rules

Further to our previous [tax alert](#) dated 14 February 2023, the Cyprus Tax Department (CTD) uploaded on 14 March 2023 three additional “[Frequently Asked Questions](#)” (FAQs) in its newly introduced section, with respect to transfer pricing.

The **additional questions addressed** in the FAQs, posted on the CTD website, are listed below:

**9. How is the €750.000 threshold in the context of loan financing activities being determined in a tax year?**

The threshold in the category of loan financing transactions is determined only by reference to the loan principal including interest charged but not paid.

**10. Continuing from question 9 above, which balance is relevant in the case of loan financing activities (e.g. year end, average balance for the year, facility amount)?**

The maximum loan balance (i.e. only the loan principal including interest charged but not paid) during the tax year should be used to determine the threshold in the respective tax year and be reported in the Summary Information Table.

**11. Should the loans or any other monetary facilities including cash withdrawals (but excluding any balances arising from commercial transactions) granted by companies to the persons described in article 5(1)(z) & 5(2)(z)\* of the Income Tax Law L. 118 (I)/ 2002 be taken into account for the purposes of assessing whether the threshold of €750.000 has been exceeded in the category of financing activities?**

No, provided the company which is granting the loans or any other monetary facilities including cash withdrawals to its directors or to its shareholders who are individuals or their spouses or to their relatives up to and including the second degree of kinship (kindred), does not have as a taxable activity the provision of financing.

In this specific case only, such balances should not be taken into account for the purposes of assessing whether the threshold of €750.000 has been exceeded in the category of financing activities and as such should not be reported in the Summary Information Table. No documentation with respect to these specific transactions in the local file is required.

\* Articles 5(1)(z) & 5(2)(z) provide that: whenever a company grants a loan or any other financial facility, including monetary withdrawals, excluding amounts resulting from trade transactions, to its directors or shareholders who are individuals or their spouses or their relatives up to the second degree of kindred, then it will be deemed that this person has a monthly benefit equal to nine per cent (9%) per annum on the balance of such loan or any other financial facility (including the monetary withdrawal during the month).

It is expected that the CTD will be adding more FAQs over time and thus it is recommended that taxpayers monitor the [FAQs section](#) of the CTD website for any further clarifications that may be published.

### How can we help?

Deloitte can assist clients with understanding the potential impact of the newly issued FAQs relating to the Cyprus Transfer Pricing Documentation rules, and where appropriate assist with the preparation of the relevant transfer pricing analysis and documentation.

**Get in touch**

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