CYPRUS ADOPTS EU DIRECTIVE FOR 15% CORPORATE TAX ON LARGE MNES

On 12 December 2024, the Cyprus Parliament enacted into Law the EU Directive, commonly referred to as Pillar Two. This measure introduces a 15% global minimum tax applicable to multinational enterprise (MNE) groups and large domestic groups with annual consolidated revenues exceeding €750 million.

Marios Yenagrites, Tax Manager at **Totalserve Group**, highlights that the introduction of the 15% minimum tax for multinationals must be carefully assessed to ensure that any potential benefits to state revenues are not offset by the risk of multinational enterprise groups exiting Cyprus.
The Law incorporates an Income Inclusion Rule (IRR) for financial years starting on 31 December 2023, alongside a Domestic Minimum Top-Up Tax (DMTT) and an Undertaxed Profit Rule (UTPR) effective from financial years commencing on 31 December 2024.

"In practice, this means that large business groups operating in Cyprus and paying an effective tax rate below the 15% threshold will need to make up the shortfall through a supplementary tax," Yenagrites clarifies. He further noted, *"It's important to note that most EU member states have already adopted this minimum tax, and those that haven't are expected to do so soon."*
The long-anticipated Law brings Cyprus in line with EU regulations. However, Yenagrites stressed the need for careful consideration of its impact: *"Any positive effect on state revenues could be negated if MNE groups relocate away from Cyprus. It remains to be seen whether any compensatory measures will be implemented to retain affected business groups and prevent relocations to other jurisdictions."*

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