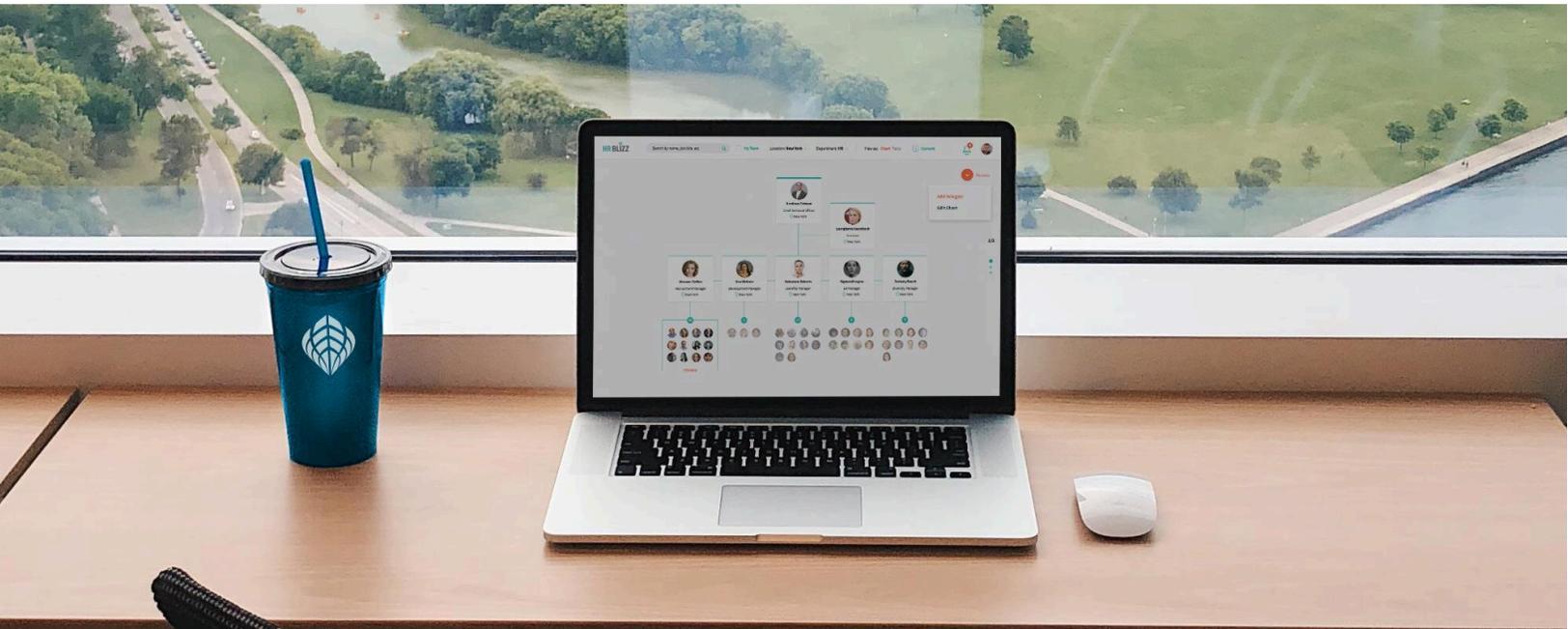




Simplifying Employment
Tasks Worldwide

Statutory Change Alert

Cyprus – Changes in Income tax exemption – 1st January
2026



CYPRUS



Republic of Cyprus

Dec 16, 2025

© 2025 Mercans LLC



MERCANS

We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization and populate your pipeline of prequalified talents.



BPO Services – Reclaim the focus on your core activities to expand your business

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.



HR Management SaaS – Access customizable cloud-based online platforms

Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



MERCANS



Local Statutory Compliance – Forget the hassle of setting up branches abroad

Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



MERCANS

Mercans at a Glance

160+ Countries	20 Years of Success	1K+ Payroll and HR Specialists
22k+ Clients Worldwide	97% Client Retention Rate	1.5X Annual Revenue Growth
95k+ Largest Single Country Payroll	25M+ Pay Slips per Annum	0 Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certificate certificate





Cyprus - Changes in Income tax exemption - 1st January 2026

Tax-free threshold for retirement and severance lump sums –

Effective 1 January 2026, a tax reform in Cyprus significantly increases the income tax exemption for lump-sum payments received as voluntary retirement bonuses or termination-of-employment payouts.

Key changes:

- **Increased Exemption:** The tax-free amount rises substantially from the previous **€20,000 to €200,000**.
- **Taxable Amount:** Any portion of the payout **exceeding €200,000** will be taxed at a **flat rate of 20%**.

Legislated in late 2025, this change greatly expands the tax-free status for "golden handshake" severance payments, aiming to promote greater flexibility in retirement planning and arrangements.

Preferential tax rate on employee stock option gains –

Effective 1 January 2026, the 2026 tax reform in Cyprus introduces a preferential 8% personal tax rate for benefits derived from employee stock options, provided they are granted under qualified employer plans.

This special 8% rate, intended to incentivize equity-based compensation, is subject to the following caps:

- **Annual Limit:** The 8% rate applies up to an amount equal to two times (2×) the



employee's annual remuneration per year.

- **Lifetime Cap:** There is an overall lifetime limit of €1,000,000 of stock option income that is eligible for this 8% rate. This cap is measured over a ten-year period.

Proceeds exceeding these caps will be taxed at the normal salary tax rates.

Please contact your Mercans' services delivery team for any additional information regarding the implications of the above change.



They already trust Mercans





What Makes Mercans your HR and Payroll Partner of Choice?

We Simplify Employment Tasks Worldwide

Everywhere for Everyone

We are a borderless people engagement enabler, driven by technology and innovation. We deliver bespoke human capital management services and global payroll solutions to empower businesses across 110+ countries regardless of their organizations' size and their industry. We pride ourselves on being global people experts with a striking local presence, committed to making your teams happy, and ensuring the consistent and sustainable growth of your organization.

Local Presence. Regional Strategy. Global Success

Supported by 500+ payroll and HR specialists with in-depth local knowledge, Mercans operate globally. Our pioneering human resources consulting services and trailblazing SaaS platforms are already satisfying 5,000+ international clients, ensuring timely measurable results and bottom-line savings. Thanks to success-oriented teams striving for excellence and taking care of our clients' tasks within budget, we have gained the trust of major multinational companies.

A Revolutionary Service Delivery System

Say goodbye to third-party service providers, offshore call centers, fragmented data, and endless chains of sub-contracts.

Mercans cloud-based SaaS Products, HR Blizz™ & Mesaar™, combine the performance of proprietary technologies with a human touch. Cost-effective, they are fully-compliant self-service tools, packed with smart built-in features for your peace of mind. All your data are integrated into single interfaces accessible from everywhere and on any device.

Trailblazing Cloud-Based SaaS Products



HR Blizz & Mesar, our Software-as-a-Service platforms, both propose a preconfigured API integration capability with all the major global HRMS platforms, including SuccessFactors, Workday, Oracle HCM, and MS Dynamics. All Mercans systems and processes are GDPR compliant, ISO 9001, 20000, 27001 certified, and SOC 1 and SOC 2 audited. A registered Finpro expert, Mercans is also a member of the Global Payroll Association and the Global Payroll Management Institute.



Simplifying Employment
Tasks Worldwide

+1 877 MERCANS (637 2267) | Toll-Free

Europe: +44 20 328 777 62
Americas: +1 646 798 5541
Middle East: +971 43 999 260
Asia: +81 50 5539 5354

info@mercans.com | mercans.com

© 2025 Mercans LLC