



---

## VAT ON IMMOVABLE PROPERTY

---

The Cyprus House of Representatives has voted on 3 November 2017 certain amendments to the VAT legislation which are intended to bring the legislation in line with the EU VAT Directive.

The amendments basically involve the imposition of VAT at the standard rate of 19% on certain transactions carried out for business purposes involving immovable property which are currently exempted from VAT.

The law is effective from 2 January 2018 except for certain provisions which relate to the leasing and /or letting of immovable property which became effective upon the publication of the law in the official gazette of the Republic on 13 November 2017.

According to the amendments Vat will be charged on the following transactions:

- The transfer of undeveloped land intended for construction in the course of the economic activities of the transferor
- The leasing/letting of immovable property to a taxable person for carrying of taxable economic activity
- Transactions involving the transfer of buildings (before first occupation) and land from the borrower to the lender under loan reorganisation or forced transfer procedures. In such cases, provided the recipient of the property is a taxable person and the property is received and used for business purposes, the recipient must account for VAT under the reverse charge procedure.

The above legislation was followed by VAT regulation on 22 December 2017, Interpretative Circular 219 released on 29 December 2017 and Interpretative Circular 220 released on 2 January 2018, which clarify the following:

- In determining whether or not the seller is considered to be engaged in economic activity will depend on the facts of each individual case. Occasional sales should be exempt from VAT where there is no other evidence indicating the intention to be engaged in economic activity
- Deposits made and sale contracts submitted to the Tax or the Land Registry Department prior to 2 January 2018 are excluded from VAT
- Clarification on how the reverse charge provisions apply when transfers of undeveloped building/land take place in the course of loan restructuring arrangements or forced sale
- Imposition of VAT on rent applies for new leases/rentals of immovable property to a taxable person for carrying of economic activity (excluding residential properties) entered into on or after 13 November 2017
- Under certain conditions the lessor has the right to obtain an exemption from the obligation to charge VAT provided the lessor notifies accordingly the Tax Commissioner on pre-specified forms. The option not to apply VAT may be made for the whole or part of the immovable property and cannot be revoked



---

## VAT ON IMMOVABLE PROPERTY

---

- The letting of immovable property will be accepted as taxable transaction when the lessee's taxable supplies constitute at least 90% of total supplies
- The lessor imposing VAT on letting income will be entitled to claim input VAT incurred in relation to the immovable property