



Cyprus Tax News

Circular issued by the Tax Department for the tax treatment of income generated from accommodation rentals through online platforms

The Cypriot Tax Department has recently issued [Circular 10/2023](#) (“the Circular”), which clarifies the tax implications for income generated from accommodation rentals through online platforms (such as, Airbnb, Booking.com) and other means.

Key Insights from the Circular

1. Property owners are considered as generating income as part of their ordinary business activities, which is taxable under the provisions of Article 5(1)(a) or 5(2)(a) of the Income Tax Law (ITL), in the following cases:
 - a) the property from which the income is derived, is (or ought to be) registered in the Register of Self-Service Accommodations; and
 - b) the owner of the property is VAT registered and imposes VAT at a rate of 9% on the income from the property; and
 - c) rental of the property is short-term, repetitive and as a general rule it is made to different clients each time.
2. Where the property owner is a natural person, he/she is subject to General Health System (GHS) contributions which are paid by the owner via self-assessment per six months.

3. When the property owner delegates the management of the property to a property manager, the manager's fee is allowed to be deducted as an expense from the property owner's taxable income for income tax purposes.
4. When the property owner rents the property to a property manager, granting to him/her the exclusive rights for the exploitation of the property based on a short or long term rental agreement for a predetermined rental amount and the manager undertakes to bear all the costs of the property, then:
 - The tax treatment of rental income for income tax purposes should be in accordance with the provisions of the ITL, i.e. a natural person is taxed on the gross rental income after deducting 20% for expenses, capital allowances and interest on loans, whereas a legal person is taxed on gross rents as reduced by expenses incurred wholly and exclusively for the generation of the rental income, capital allowances and interest on loans.
 - When the owner is a tax resident of Cyprus and, in the case of an individual, also has his/her domicile in Cyprus, the gross income reduced by 25% is subject to 3% special contribution for defence (SCD), which is paid by self-assessment semi-annually by the owner, unless the manager is a legal person, in which case the SCD is withheld and paid by the manager.

Given this recent development, taxpayers involved in rentals should reassess their current tax treatment and ensure compliance with the clarified treatment, mitigating risks related to non-compliance.

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