



Cyprus Tax News

Extension of tax incentives for reduced rent

We would like to inform you that the tax incentives, provided to landlords for voluntarily reducing the rent charged to tenants - businesses, whose operations have been suspended due to COVID-19 pandemic - (Issue [11/2020](#)), have been extended for tax year 2021.

The amendments relate to the Income Tax Law and the Special Defence Contribution Law. The amending laws clarify that the tax incentives apply only to the rental of immovable property to **businesses** whose **operations** have been **suspended** and are specifically included in the [Infectious Diseases \(Determination of Measures to Prevent the Spread of COVID-19 Coronavirus\) Decree \(No. 2\) of 2021](#).

According to the amendments voted in the **Income Tax Law**, qualifying landlords can claim a **tax credit** equal to 50% of the amount of the monthly rental income, voluntarily reduced, as long as the rental reduction is not lower than 30% of the monthly rent.

The law provides for the following:

- The tax relief is provided for rental reduction made to a period not exceeding three months, which fall within 1 January 2021-30 June 2021, irrespective to which months the rental reduction applies.
- No tax credit is provided for the amount of rental reduction that exceeds 50% of the monthly rent.
- A written agreement between the landlord and the tenant should be in place which governs the terms of the rental reduction.
- The landlord and the tenant should not be related parties as per the definition of the term provided in Article 33 of the Income Tax Law.
- The amount of the tax credit can be claimed against the total income tax charge for tax year 2021.

- Any amount of tax refund that may arise as a result of the tax credit cannot exceed the amount of tax already paid.

Qualifying landlords can also claim an **exemption** from **Special Defence Contribution**, as long as the rental reduction is not lower than 30% of the monthly rent, provided that:

- the exemption is granted for a maximum period of three months which fall within 1 January 2021-30 June 2021, irrespective to which months the rental reduction applies.
- a written agreement between the landlord and the tenant is in place which governs the terms of the rent reduction.
- the landlord and the tenant are not related parties as per the definition of the term in Article 33 of the Income Tax Law.

How can we help?

We are at your disposal to provide clarifications on the above development.

Get in touch



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