



Tax News - VAT

Imposition of VAT on transfers of building land

As from 2 January 2018, **Cyprus VAT at the standard rate of 19% is imposed on certain transactions involving immovable property**, including the transfer of undeveloped building land.

The relevant legislation was published on 13 November 2017 followed by regulations on 22 December 2017 and Interpretative Circular 219 which was released on 29 December 2017.

The regulations define the types of land that fall within the scope of undeveloped building land.

The circular clarifies that the status of the seller (i.e. whether or not considered to be engaged in an economic activity) depends on the facts of each individual case. It also clarifies that occasional sales should be exempt from VAT where there is no other evidence indicating an intention to be engaged in an economic activity and the transaction does not distort the fiscal neutrality of other sellers making similar supplies.

The legislation specifies the criteria used to determine the time of supply of undeveloped building land and the corresponding VAT treatment. The circular clarifies that any deposits paid prior to 2 January 2018 and any sales contracts submitted to the Tax Department or the Land Registry Department before that date are excluded from VAT.

Finally, the circular clarifies how the reverse charge provisions apply when transfers of undeveloped building land take place in the course of a loan restructuring arrangement or forced sale.

How can Deloitte assist you

The Indirect Taxation Team of Deloitte is at your disposal to discuss any potential impact on your activities in relation to the above and advise you on any other VAT issues.

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