



Tax News - VAT

Imposition of VAT on transactions involving immovable property

On 3 November 2017, an amendment to the Cyprus VAT legislation was voted into law by the House of Representatives, which will impose VAT at the standard rate of 19% on certain transactions involving immovable property that are carried out for business purposes and that currently are exempt from VAT. The law will enter into effect as from 2 January 2018, except for the provisions relating to the leasing and/or letting of immovable property, which will enter into effect as from the date the law is published in the Cyprus official gazette. The changes are intended to help bring the VAT legislation in line with the EU VAT directive.

Specifically, the law provides for VAT to be charged on the following transactions:

- The transfer of undeveloped buildable land that is intended for the construction of one or more fixed structures, in the course of the economic activities of the transferor; and
- The leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, except for the leasing of buildings used for private dwellings.

The lessor has the right to opt not to charge VAT on a lease transaction under certain conditions, provided the lessor notifies the tax commissioner accordingly.

In addition, the law provides that VAT must be accounted for in relation to transactions involving the transfer of buildings (before the first occupation) and land from the borrower to the lender under a loan reorganization or forced transfer procedure. In these cases, the recipient of the property is required to account for VAT under the reverse-charge provisions, provided the recipient is a taxable person and the property is received and used for business purposes.

The Indirect Tax Team of Deloitte is at your disposal to discuss any implications that may affect your business regarding the above and provide advice on any other VAT issues concerning immovable property.

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