



## **Tax News - VAT**

### **Imposition of VAT on letting of immovable property - VAT Circular 220**

As from 13 November 2017, Cyprus VAT at the standard rate of 19% is imposed on the letting of immovable property.

The relevant legislation was published on 13 November 2017 and on 2 January 2018 the Cyprus VAT Department released Interpretative Circular 220, which clarifies the following aspects of the new law with regards to letting:

- Imposition of VAT on rent is mandatory for any new leases or rentals of immovable property on or after 13 November 2017 to a taxable person for the purposes of carrying on their economic activities. Residential properties are excluded.
- The lessor has the right to opt not to charge VAT on a lease transaction under certain conditions and must notify the tax commissioner accordingly via form TD1220. The lessor then will be unable to recover any input VAT incurred in carrying out the leasing activity.

The option not to tax may be made for the whole or part of the immovable property. Once the option not to tax is exercised, it cannot be revoked for that particular property/part of the property.

- The Cypriot VAT department will accept as a taxable transaction the letting of immovable property when the lessee's taxable supplies constitute at least 90% of his total supplies.
- A lessor imposing VAT on letting income will be entitled to claim the input VAT incurred in relation to the immovable property. Input VAT incurred on the acquisition or construction of the property and other capital expenditure can be recovered in accordance with the capital goods scheme, which provides for VAT to be adjustable over a 10-year period.

### 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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## Key Contacts

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