

VAT changes on Land & Leasehold property



This is to notify you on the recent amendments to the Cyprus VAT Legislation concerning taxation of building land.

Specifically, the amendments relate to the following:

Imposition of VAT on non-developed building land

The law provides that as from 2 January 2018, standard VAT rate of 19% to be charged in the following cases that non-developed building land which is intended for the construction of one or more structures in the course of the economic activities of the transferor:

1. transfer of ownership,
2. transfer of indivisible land portion,
3. transfer of ownership under a sale agreement or an agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the buyout option

No VAT will be imposed on the disposal of shares or shareholdings in companies, resulting in transfer of ownership of related immovable property.

Imposition of VAT on leasing and/or letting of immovable property for business purposes

VAT at 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable business activities.

It is being clarified that, existing agreements with persons carrying out taxable transactions are not affected by such modification, unless canceled and a new agreement is subsequently executed after the effective date.

In case that in the existing lease agreements there is a possibility for automatic renewal, then such condition by itself does not form a new contract for the purposes related to the imposition of VAT. Such treatment also applies in the case that an automatic rent increase is implied.

The leasing buildings which are used as residential dwellings are exempt for VAT purposes.

The lessor has the right to notify the Tax Commissioner by submitting a relevant form, to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notifications of the Tax Commissioner. The option is irrevocable.

This provision has been effective for agreements signed on/or after 13 November 2017, date on which the amending law was published in the Cyprus Government Gazette.

How Yiallourides & Partners can help you

The specialized VAT team at Yiallourides & Partners is at your disposal to consider the impact of the imposition of VAT on your immovable property and to help you calculate the monetary impact that will arise.

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