

VAT TAX UPDATE

On 3 November 2017 the Cyprus House of Parliament enacted the amendment of the Cyprus VAT Legislation with regard to the taxation of building land, the taxation of new commercial immovable property leasing contracts and the application of reverse charge on transactions relating to transfers of immovable property during the process of loan re-structuring, thereby bringing it in line with the regulations of the EU VAT Directive.

The approved amendments are as follows:

- 19% VAT on the sale of building land
- New commercial leasing contracts for immovable property are now taxed
- Transactions relating to transfers of immovable property during the process of loan restructuring may use the Reverse Charge

19% VAT on the Sale of Building Land

The above standard rate will be applied in the following cases relating to non-developed building land intended for the construction of structure(s) towards a business activity:

Transfer of ownership

Transfer of indivisible land portion

Transfer of ownership via the following:

- Contract or sale agreement
- Agreement specifying transfer of ownership on a future date
- Leasing Agreement with buy-out option

No VAT will be imposed when a transfer of ownership of immovable property is due to the disposal or transfer of shares in a company.

The above is effective from 2 January 2018.

Reverse Charge

VAT will be imposed via the Reverse Charge Mechanism on the supply or transfer of immovable property effected before first use in cases of Loan Restructuring and/or compulsory transfer to the Lender.

The above is in effect during the period from 2 January 2018 to 31 December 2019.

Leasing of Immovable Property for Business Purposes

VAT is applied in cases of leasing immovable non-residential property to taxable persons for taxable business activities.

A Lessor has the right to opt for the non-imposition of VAT to the Lessee of the immovable property, based on the Terms and Conditions of the Commissioner of Taxation. The option is irrevocable.

The above applies to lease agreements concluded on and after 13 November 2017.

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