



**K. TREPPIDES
& CO LTD**

**Indirect Taxation
Newsletter - Issue 06/2023**



***New Legislation - 5% VAT for the acquisition/construction
of private residence***



We would like to inform you that on 16th June 2023 it was published in the Official Gazette of the Government and came into effect the legislation that has been voted by the House of Representatives, amending the Cyprus VAT Law N95 (I)/2000 (hereafter "the Law") in respect to the imposition of the reduced VAT rate 5% on the acquisition/construction of private residence.

The legislation that has been voted by the Parliament has amended Table C of the Fifth (5th) Schedule of the VAT legislation in relation to the imposition of the reduced VAT rate of 5% on the acquisition/construction of private residence.

To this extend, the new amendment imposes that the 5% reduced VAT rate should apply as follows:

1. The reduced rate of 5% will apply to the first 130 square meters of the buildable residential area of the building, up to the value of transaction of €350,000, provided that the total buildable residential area does not exceed the 190 square meters and the total value of transaction will not exceed €475,000.

2. In the case where the total buildable residential area exceeds 190 square meters or the value of transaction exceeds €475,000, then the whole transaction will be subject to the standard VAT rate applicable (i.e., 19%).
3. In the case of a person with a disability, as determined in the VAT Law, the 5% reduced VAT rate will apply for the first 190 square meters without taking into consideration the total buildable residential area of the property.

The new regulation will not affect any immovable property that a building permit has issued, or a duly completed application for the building permit has been submitted to the competent authority until the 31st October 2023, and provided that the application for claiming the 5% rate is submitted within 3 years from the date that this new law came into effect.

In addition, an amendment to the 9th subparagraph of the Table C of the Fifth (5th) Schedule of the VAT legislation has been applied based on which if a person to which the right of the reduce 5% VAT rate has been granted decides to apply for the reduce 5% VAT rate for the purchase of a new main private residence before the elapse of 10 years (120 months), then he/she should pay to the Cyprus Tax Department a proportion of the VAT amount that was benefited based on the period for which the property will not be used over the 10 years period.

Our Indirect Taxation team is ready to discuss with you the content of this newsletter and provide any consultation required for better understanding of its content and how this could affect your business. Please do not hesitate to contact us at VAT@treppides.com.

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