



**K. TREPPIDES
& CO LTD**

Direct Taxation

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***Tax treatment of income from properties rented out
through online platforms***

We would like to inform you that the Cyprus Tax Department has issued a Circular providing the following guidance on the tax treatment of income generated from properties rented out through online platforms, such as Airbnb or Booking, or through other means:

1. The income generated from the property is treated as income from the exercise of a business activity and as such it is treated as subject to income tax and exempt from Special Defence Contribution ("SDC") if the following applies:
 - a) The property is registered, or there is an obligation to register, in the Register of Self-Service Accommodations, and
 - b) The owner of the property is VAT registered and charges 9% VAT on the income from the property (provided that there is an obligation to register), and

- c) The rental is short-term, repetitive and is made to different persons each time.

In case the owner is a natural person, the profit as calculated for income tax purposes is subject to contributions to the General Healthcare System (GHS), which should be paid by the owner through self-assessment per semester.

- 2. In case the owner of the property delegates the management of the property to a manager, the same treatment as per point 1 is applicable. The fee paid to the manager constitutes a tax-deductible expense for the property owner.
- 3. Where the owner of the property rents the property to a manager-tenant granting the exclusive right for the short-term or long-term exploitation of the property in exchange for a fixed amount under a rental agreement, and the manager bears all the expenses of the property, then:
 - a) The rental income is not considered to derive from a business activity and is subject to income tax in accordance with the provisions of the Cyprus income tax legislation i.e., where the property owner is a natural person, he / she is eligible to claim a 20% deduction for expenses whereas if the property owner is a legal person, it is eligible to claim the actual expenses as a deduction.
 - b) SDC is applicable on 75% of the gross rental income if the property owner is a Cyprus tax resident company or a Cyprus tax resident domicile individual. The SDC is payable by the property owner through

self-assessment per semester, unless the manager is a legal person in which case the SDC should be deducted at source by the manager.

- c) In case where the property owner is a natural person, GHS contributions should apply on the gross rental income. The GHS contributions are payable by the property owner through self-assessment per semester, unless the manager is a legal person in which case the GHS contributions should be deducted at source by the manager.

For any further information and/or clarifications required, please do not hesitate to contact us.



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