

VAT Newsletter

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VAT on Immovable Property Update: Circulars on the Implementation

Don't miss out on this VAT saving opportunity

Further to the amending VAT legislation (details in our [November VAT Newsletter](#)) on building land and immovable property leasing, Cyprus House of Parliament and Tax Department have released Regulations and Circulars respectively, clarifying the applicability of VAT imposition on non-developed land as well as on commercial rents taxation.

1. Implementation of VAT Amendments

Building land

Transfers of non-developed building land by persons performing an economic activity are subject to 19% VAT as from 2 January 2018. Such land taxation is determined by the following factors:

- Type Classification of Land (subject to exemptions like agricultural-outside development zone land);
- Economic activity of seller according to general and case criteria;
- Frequency of Transactions;
- Nature of the Supply.

Commercial Property Leasing

Property leasing, entered from 13 November 2017, to persons performing VATable business activities is subject to 19% VAT unless an opt-out right is exercised by the lessor. Recent Circular has clarified among others:

- Option for non-imposition of VAT is permanent following the mandatory submission of a declaration form within 10 days from agreement conclusion;
- Renewal and rent rise clauses in existing agreements not creating new contracts subject to VAT;
- Leasing to partially exempt lessees performing taxable activities over 90% is subject to VAT;
- Sub-leasing VAT treatment;
- Potential to recover input VAT on capital goods adjustment;

2. Impact on Businesses - Considerations

Natural - Legal Persons affected by the recent amendments in an attempt to ensure VAT compliance with the new rules and minimise VAT leakages will need to:

- Consider whether they perform a VATable/exempt economic activity when selling building land;
- Review Existing and Prospective Leasing Contracts for complying with VAT application and formulate commercially beneficial agreements;
- Perform an indirect tax evaluation considering both VAT and Land Transfer Fee implications;
- Recognise the new opportunities of input VAT recovery.

3. How EY Cyprus can assist

Our specialist team is ready to assist you with tailor-made advice on how to comply with VAT obligations and simultaneously enhance your VAT position including:

- a. VAT Cost - Benefit Analysis;
- b. Application of VAT provisions to entity Circumstances;
- c. Contractual VAT Arrangement Review - Structuring;
- d. VAT Planning - Compliance Advisory;
- e. Liaison with the VAT authorities on VAT treatment in immovable property transactions.

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