



**VAT-Imposition of VAT 19% on transactions involving immovable property**

On 3 November 2017, an amendment was voted by the Cyprus Parliament in relation to the Cyprus VAT legislation, which will impose VAT at the standard rate of 19% on certain transactions relating to immovable property which are carried out for business purposes.

Specifically, the amendments of the law provide for VAT to be charged on the following transactions:

- The transfer of undeveloped buildable land that is intended for the construction of one or more fixed structures when the supply is part of the course of the economic activities of the transferor.
- The leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, except for the leasing of buildings used for residential purposes. The lessor will have the right to elect for such transactions to continue to be exempt from vat under a specific procedure to be notified by the Commissioner but if this right is not exercised it cannot be changed at a later stage. This provision applies for leasing agreements entered into force on or after the 13<sup>th</sup> of November 2017.
- Transactions involving the transfer of buildings (before the first occupation) and land from the borrower to the lender under a loan reorganization or forced transfer procedure. In such transactions, the recipient of the property is obliged to apply the reverse charge mechanism and discharge the relevant VAT due on the transactions as if they were its own supplies (provided the recipient is a taxable person and the property is received and used for business purposes). This provision however will remain in force for a limited period and will cease on 31 December 2019.

**The amended law will enter in force as from 2 January 2018, except for the provisions relating to the leasing and/or letting of immovable property, which entered into immediate effect as from the date the law was published in the Cyprus official gazette on 13 November 2017.**