



CYPRUS - January 2018

CYPRUS PROPERTY TAXES IN 2018..... 1

Cyprus property taxes in 2018

A number of changes to Cyprus property taxes have been made in recent times, most notably the introduction of VAT on the sale of building land, which I have summarised together with other changes in this article.

RECENT changes to property taxes in Cyprus include the imposition of VAT on the sale of undeveloped building land intended for the construction of building(s) and changes to the VAT payable on the acquisition/construction of a property to be used as the purchaser's primary and permanent residence.

Here is a summary of the property-related taxes that apply as we enter 2018.

Property Taxes payable to Communities and Municipalities

This 'local' property taxes payable to Communities and Municipalities is calculated on the Land Registry's assessment of the 2013 value of the property.

Property Transfer Fees

- (a) No Property Transfer Fees are payable if VAT was paid on the purchase price of the property.
- (b) Property Transfer Fees are reduced by 50% if VAT was not paid on the purchase price of the property.

However if the Director of the Land Registry considers that the price stated on the contract of sale does not reflect the market value of the property at its date of purchase he may, at his discretion, charge the full Property Transfer Fees based on the Land Registry's assessment of the market value of the property at its date of sale less the price stated on the contract of sale. (The Department of Lands and Surveys has an on-line Transfer Fees Calculator.)

Capital Gains Tax

Capital Gains Tax is payable at 20% on gains resulting from the disposal of a property.

The acquisition cost is adjusted for inflation by reference to the cost of living index. (If the property was acquired before 1980, the 1980 value shown on the property's Title Deed is used as the acquisition cost.)

Expenses related to the acquisition and disposal of a property may also be deducted, subject to certain conditions e.g. interest costs on related loans, transfer fees, legal expenses etc.

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Further allowances are granted for 'allowable expenses' such as accepted capital additions and improvements to the property – planning permission where necessary.

Note that subject to conditions, immovable property acquired between 16th July 2015 and 31st December 2016 inclusive will be exempt from CGT at its disposal at a future date.

Value Added Tax

VAT is charged at the rate of 19% on the first purchase of a property.

VAT is also charged at the rate of 19% on the sale of undeveloped building land intended for the construction of building(s) in the course of carrying out a business activity.

A reduced VAT rate of 5% is applied on the first 200 sqm. of the acquisition/construction of a property to be used as the purchaser's primary and permanent residence for a period of ten years.

VAT is imposed at the standard rate (19%) on the remaining square metres.

VAT is not charged on resale properties or on land in protected zones and farming land.

Stamp Duty

Stamp duty is calculated on the value of the purchase agreement and remains unchanged at the rate of: €0 to €5,000 – zero €5,001 to €170,000 – 0.15%

Greater than €170,000 – 0.2%*

* Capped at a maximum of €20,000.

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