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## VAT Regulations when Buying Property in Cyprus



Since Cyprus joined the European Union, VAT has been imposed on the sale of all new property at the rate of 15%. A rebate scheme has been introduced enabling certain categories of buyers to claim a VAT refund on certain types of properties.

### Do you have to pay VAT on all properties in Cyprus?

The VAT regulations on property sales:

**Sales of land are exempt from VAT** although it is anticipated that value added tax will be introduced on sales from 1<sup>st</sup> August 2008, **although this has not yet been confirmed**. It is still not clear on what types of land VAT will be imposed and how it will be collected.

**Buyers of newly built property pay VAT at the rate of 15%** on the building costs (this has always been the case).

Those who are buying a home from a property developer **are liable for VAT if the planning application has been made and the building permit has been issued after 1<sup>st</sup> May 2004**.

**Sales of resale property in Cyprus are exempt** from VAT (assuming that the property has been used).

### There is a VAT refund scheme

Cyprus introduced the VAT refund scheme to help lower income home buyers. This is how it works:

1. The purchased property is the sole main residence of the applicant.
2. The applicant does not own any other property in Cyprus that is used as a main residence.
3. The applicant should be at least 18 years of age and must be an EU citizen.
4. The applicant must be permanently residing in Cyprus.
5. The applicant should fill in a special form issued by the Ministry of Finance and a statement must appear in the government's Gazette that this property is a first home.
6. The application must be accompanied by a copy of the contract, a copy of the building permit (the same as the ones submitted to the Land Registry) evidence of the applicant's residence, such as copy of a phone bill, copy of a water bill, copy of the electricity bill, copy of the sewage bill and any municipality's tax bills.
7. In order to qualify, those who receive the VAT refund must keep the property for at least ten years, or return the refund.
8. Properties with a covered area greater than 250m<sup>2</sup> do not qualify for a refund. (The Cyprus government considers that those buying a larger home can afford to pay the VAT in full).
9. The VAT refund is calculated on basic area, but for every family with more than three children, there is an additional provision of 15m<sup>2</sup>/child.
10. In addition to the 130m<sup>2</sup>:

Up to 36m<sup>2</sup> is allowed for covered parking

Up to 5m<sup>2</sup> for an engine/boiler room

Up to 7m<sup>2</sup> for storerooms

Up to 40m<sup>2</sup> for covered verandas

The amount of the VAT refund will depend on the type of the property and its size, based on the 130 m<sup>2</sup> calculation.

The amounts of the grant valid from 1 January 2008 are as shown in the table below:

1. Construction of house € 10,131.13.
2. One bedroom apartment € 19,249.28.
3. Two bedroom apartment € 19,249.28.
4. Three bedroom apartment € 17,729.63.
5. Semi detached house € 15,196.87.
6. Detached house € 20,262.38.

The VAT refund is calculated by taking the area of the house/apartment, multiplied by the purchase price per m<sup>2</sup> multiplied by Value Added Tax rate of 15/115 and multiplied by the 10/15 refund rate.

However, this can be a little complicated and who wants to complete forms.

If your answer to the following questions is **YES**, then congratulations, you **may be** entitled to a VAT rebate in the form of a government subsidy. If you are unsure, contact us anyway and our qualified associates will be pleased to advise you.

If you don't wish to fill out forms or queue at government offices, or arrange translations for complicated forms written in Greek **BUT** do wish to receive the subsidy that you are entitled to then our **associates are the people to help you!**

- **They will** complete all the relevant paperwork for you
- **They will** act immediately upon receiving your instructions
- **They will** chase up your claim and regularly update you on progress.

Of course there will be a charge for this service. Our qualified associates will charge you directly. The fee is only **5%** of the total rebate received. **If you are not entitled to a rebate, there will be no fee.**

**To arrange a consultation or to receive further information, please contact us and we will of course forward your details to our associates.**

[Kaimar Consulting Ltd](#) Head Office Limassol

**You'll either be very happy you used our services, or very sad that you didn't**

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***Under Cyprus' VAT regulations, those buying property in Cyprus may be able to recover some of the VAT they have paid through the rebate scheme. However, the VAT regulations do not permit non-residents, such as property investors, to claim a VAT refund.***

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