

VAT

Question:

We heard that this year there were changes in the legislation concerning return of part of VAT at construction or purchase of the first real estate in Cyprus. What it is necessary to do to return part of VAT? Who has to return part of VAT? How to return money for additional works (options) or for increase in cost of an original project?

Response:

Reduced rate of VAT is applied, for the purchase or the construction of a first residence (provided that the application is submitted before the accomplishment of the erection of the residence). The residence must be used as the main and permanent place of residence and only applies for contracts that were concluded or signed on or after the 1st of October 2011.

The VAT rate of 5% is applied for first residences with a total area not exceeding 275 square meters in accordance with the architectural plans (after the exception of up to 88 square meters for common areas). The first 200 square meters are subject to 5% VAT and anything above 200 square meters is subject to the standard rate of VAT, currently 19%. The interested party submits a declaration on the prescribed form to the Registrar of VAT and among others he/she declares that he/she does not possess or own any other residence in the Republic which he/she use as his/her main residence.

The prescribed form can be obtained from the relevant VAT departments or offices or additionally, it can be accessed via the VAT's official website www.mof.gov.cy/vat. The supporting documents of the application proving that the applicant uses the said residence as his permanent place of living, must be submitted within 6 months after he/she acquires the possession of the property and are as follows: telephone bill, electricity bill, water bill, municipality taxes).