



Tax Treatment of Income from Online Property Rentals in Cyprus

Introduction

In an effort to provide clarity and guidance to property owners engaged in short-term rentals through online platforms, the Cypriot tax department issued [circular 10/2023](#) (“Circular”) on 13 September 2023.

The circular outlines the tax treatment of income received from properties rented out via online platforms, such as Airbnb and Booking, or a website, such as self-service resorts, which are registered with the Deputy Ministry of Tourism.

Scope of Application

In case the conditions mentioned below are met, the property owner is considered to earn income in the context of exercising a business activity and, as such, falls within article 5(1)(a) or 5(2)(a) of the Income Tax Law N.118(I)/2002, as amended and does not fall within the Special Contribution for Defence Law N.117(I)/2002, as amended:

- a. The property from which the income is derived is registered or had an obligation to be registered in the Register of Self-service Resorts with the Deputy Ministry of Tourism; and
- b. The property owner is registered for VAT purposes and applies VAT at the rate of 9% on the income from the property (provided there is an obligation to register); and
- c. The rental of the property is short-term, recurring, and typically to different persons each time.

Tax Treatment of different scenarios

The Circular provides clarifications as to the tax treatment of such income, taking into consideration the provisions of the Income Tax Law, Special Defence Contribution Law and General Healthcare System Law, based on the following different scenarios:

- a. The property owner (physical or legal person) manages the property for short-term rentals through online or other platforms;
- b. The property owner (physical or legal person) assigns to a manager the management of the property for the purpose of short-term rentals through online or other platforms;
- c. The property owner (physical or legal person) leases the property to a manager-lessee who gains exclusive rights for short- or long-term rental against a specified rental income as defined in a rental agreement.



Conclusion

Following the issuance of [Circular 10/2023](#) and the clarifications on the tax treatment in different scenarios, the property owners earning income from such properties are encouraged to revisit and confirm their current tax treatment and practices in light of this development.

Contact us to review and optimize your tax practices, ensuring you benefit from the latest tax insights and remain in compliance with the evolving tax landscape.



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