



Cyprus VAT Amendments on Immovable Property (Effective 1 September 2026)

On 27 February 2026 the Regulations 102/2026 and 103/2026 have been published amending the Fifth Schedule (reduced 5% VAT on residential property) and Eighth Schedule (definitions and rules around “new buildings” and VAT applicability) of the Cyprus VAT Law.

The changes strive to shed light on the “first occupation” and “first use” of immovable property and will come into effect from 1 September 2026.

What has changed

Introduction of “first occupation” and “first use”

The amendments introduce clearer definitions which are now central to VAT treatment:

- **First occupation:** the first use of a building (including owner-use, leasing, or business use).
- **First use:** systematic use or exploitation of a property for a minimum period of 18 months.

These definitions determine whether a property is considered “new” for VAT purposes.

Shift from time-based to use-based VAT treatment

Under the previous regime, VAT treatment relied largely on time criteria (e.g. 5 years from completion or 24 months of use). Under the new rules:

- VAT applies where a property is supplied before first occupation.
- The 18-month systematic use test is now the key determinant.
- The mere passage of time is no longer sufficient to secure VAT exemption.

Changes to the 5% reduced VAT rate (residential properties)

- Definitions of first occupation/use are now aligned across the law.
- For renovation/repair works:
 - Property must be at least 3 years old, AND
 - Must have been used for at least 18 months

The 18-month use condition is now explicitly required for the reduced rate.



Who is affected

The changes are expected to impact:

- Property developers and construction companies.
- Individuals undertaking renovations of residential properties.
- Real estate investors and buyers.
- Businesses involved in property transactions and leasing arrangements.

Practical considerations

Businesses and individuals should consider:

- Reviewing the timing of property use and transactions.
- Assessing whether properties qualify as “old” under the new three-year rule.
- Ensuring proper documentation of first use and occupation periods.
- Evaluating the VAT treatment of ongoing or planned renovations and developments.

How can SPL assist?

Our VAT & Indirect Tax Team can support you with:

- Assessing the VAT impact of the new definitions and rules.
- Reviewing property transactions and development structures.
- Advising on VAT treatment of renovations and real estate projects.
- Ensuring compliance with the updated VAT framework.

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