



Reduced VAT (5%) for Residential Property

The Cyprus Tax Department has issued an update regarding the examination of applications (Declarations) for the application of the reduced VAT rate of 5% on the purchase or construction of primary residence, under Article 63, following the publication of the Amending Law N.109(I)/2026.

This update relates to transitional cases where delays in planning authorities have affected the timely completion of the examination process.

Key Developments

Under the revised framework, the Tax Commissioner may examine applications submitted under Article 63 up to 31 December 2026, where the assessment was not completed in time due to delays from the planning authorities.

Article 63 applies to transitional cases where by 31 October 2023:

- A planning permit has been secured, or
- An application for a planning permit was submitted.

Application of Reduced VAT (5%)

Based on the updated provisions, the Tax Department will continue to accept Declarations for the reduced VAT rate of 5% in the following cases:

- Where a planning permit application was submitted or a planning permit was issued by 31 October 2023, and
- A building permit was issued after 1 January 2025, or has not been issued by 31 December 2026

Deadline for specific cases

To benefit from the reduced VAT rate on the first 200 sq.m. of buildable area, where:

- The planning permit application was submitted by 31 October 2023, and
- The building permit was issued by 31 December 2024,

the relevant Declaration must be submitted to the Tax Department by 15 June 2026.



Submission requirement

The “Declaration for the Application of Reduced VAT on the Purchase or Construction of a Residence” must be submitted electronically via the Tax For All (TFA) system **no later than 15 June 2026**.

Current VAT treatment of primary residence in Cyprus

We remind that the reduced rate only applies if the property is used as the buyer’s primary and permanent residence and is acquired before its first occupation. The scheme also covers certain special cases, including homes built on government land for refugees, low-income families, or on land owned by close relatives.

Under the current rules, which came into force on 16 June 2023 through Law 42(i)/2023, the 5% VAT rate applies only to the first 130 m² of buildable area and up to a value of €350,000, provided the total property value does not exceed €475,000 and the total buildable area does not exceed 190 m². Any excess area or value is taxed at the standard VAT rate of 19%. Larger allowances apply for persons with disabilities and certain large families.

How can SPL assist?

SPL Audit Cyprus can assist with the review and assessment of VAT obligations in relation to residential property transactions and ensure compliance with the applicable requirements.

Should you wish to discuss the above or understand how these developments may affect your property plans, you may contact our Accounting Department at SPL Audit Cyprus. We will be pleased to assist you in assessing your obligations and any actions that may be required.

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