



5% VAT on primary residence

On 16 June 2023, an amendment to the Cyprus VAT Law was published in the Cyprus Government Gazette concerning the new legislative framework for 5% Value Added Tax (VAT) rate on the acquisition and/or construction of a primary residence in Cyprus.

The new law provides that 5% VAT applies for:

- The first 130 sq.m. for a value up to €350.000
- Subject to the total value not exceeding €475.000 and total size not exceeding 190 sq.m.

The acquisition and/or construction of a new residence which exceeds the 190 sq. m. and/or €475.000 maximums will be subject to 19% VAT for the whole value.

Transitional provisions

The new legislative framework does not apply for buildings for which a planning permission has been obtained or an application for planning permission has been submitted until 31st of October 2023, and the relevant application for the 5% VAT rate has been submitted within 3 years from the date of the new law (i.e. by 15/06/2026)

Any residences meeting the transitional provisions will be eligible to apply for the 5% VAT reduced rate under the regime applicable up to 15/06/2023 (i.e. 5% for the first 200sq.m. with no value or size maximums)

Examples for the new legislative framework:

1. *Andreas will buy a new residence with total covered areas of 100 sq.m. and a value of €475.000.*

Since the 100 sq.m. are within the size limits, the only factor that we need to consider is the value. The calculation will be as follows:

- $5\% \times (350/475) \times 475.000 = € 17.500$
- $19\% \times (125/475) \times 475.000 = € 23.750$
- Total VAT: €41.250



2. Peter will build a new residence with total covered areas of 140 sq.m. and a value of €475.000.

For this case both size and value are above the thresholds. The calculation will be as follows:

- Value eligible for 5%: $475.000 \times (130/140) \times (350/475) = \text{€}325.000$
- $5\% \times 325.000 = \text{€} 16.250$
- $19\% \times 150.000 (475.000 - 325.000) = \text{€} 28.500$
- Total VAT: €44.750

Click [here](#) to download the published law.

As always, Chelco VAT is at your disposal to provide more information or clarifications on this or any other VAT matter.