



REPUBLIC OF CYPRUS
MINISTRY OF FINANCE



ΤΜΗΜΑ
ΦΟΡΟΛΟΓΙΑΣ
TAX DEPARTMENT

Information Leaflet

Application of the reduced VAT rate (5%) on the Purchase/ Construction of a New Dwelling in the Republic

This information leaflet provides a general guidance on the purchase/construction of a new dwelling in the Republic of Cyprus. For any further information or special advice, please contact our [VAT District Offices](#) in all towns.

1. Introduction

As from the 1st of October 2011, a reduced rate of 5% can be imposed on purchasing or construction of a dwelling in Cyprus, as long as the dwelling is used as the principal and permanent residence in the Republic by the beneficiary.

The reduced VAT rate of 5% applies on the first 200 square meters of the buildable area of the dwelling. In cases of large families (minimum of four children) the total area of the dwelling is enhanced by 15 square meters per each additional child (over three children).

On the approval of the relevant application submitted to the Tax Department an appropriate certificate is issued. The application form is only available in Greek.

2. Beneficiaries

Individuals who:

- Have completed their 18th year of age on the date of applying for the reduced rate;
- Acquire the property for use as their principal and permanent place of residence in Cyprus;

3. Prerequisites

- The application for a planning permit (or a building permit where no planning permission is required) must be submitted to the competent authority after 01/05/2004.
- The application must be submitted before the applicants have moved in the dwelling.
- If the beneficiary has received a grant under the Special Grant (Purchase or building of a Home) Law, he or she is not entitled to apply for a reduced VAT rate before the expiration of 10 years from the time he/she received the sponsorship, unless he/she attaches a certificate from the Grant Agency that he/she has reimbursed the grant or part there of it, accordingly.

4. Supporting Documents

	Documents	Issuing Body	Comments
1	Application (in Greek language)		
2	A copy of civil identity card /passport for foreigners.		
3	A copy of a marriage certificate.		For foreigners translated by the Cypriot Information Service (CIS) or the corresponding embassy.
4	A copy of a spouse's identity card / passport for foreigners.		
5	Contractor's annual license for the construction period.		Copies of all years of construction.
6	A copy of planning permit (if no, building permit).	Department of Town Planning and Housing (Municipality if it is a building permit)	
7	A copy of the application for the acquisition of a planning/building permit.	Department of Town Planning and Housing (Municipality if it is a building permit)	A copy of the application is attached on the set of documents you receive along with the permit.
8	Stamped Sale Contract by the Stamp Duty Tax Commissioner.	Tax Department	Original contract - stamped cost about 1.5 ‰ on the value of the contract. €2 stamped copy, is also required with the application
9	Contractor's offer.	Contractor	Only in case of construction
10	Area plot.	Architect of the project.	For single land development, the peak list as submitted to the competent authority for issuing permits

11	Evidence proving the purchase/constructing of a dwelling.	Contractor	Advance payment / invoice or loan application approval
12	Copy of land title deed.	Department of Lands and Surveys.	
13	Copy of the application for a building permit. (VAT number of the consultants involved must be listed)		If, a copy of the application for planning permit is submitted, please ignore this item.
14	Copy of building permit.	Town Hall for Building Permit or Urban Planning Department.	
15	Copy of the MU1 registration in the case of European citizens or MU2 residence permit in the case of non European Citizens.	Provincial Administration.	

5. Deadline for submitting the application

If the property is under construction (off-plan) the reduced VAT rate application can be submitted at any time during the construction of the dwelling. In cases of purchasing new-build properties the application must be submitted before the first occupation of the dwelling by the buyer.

6. Important Note

It is essential to underline that in cases where the reduced VAT rate is granted, the residential property must be used as the applicant's principal and permanent residence in the Republic for a period of 10 years.

If the beneficiary person ceases to use the dwelling as a place of residence earlier than 10 years he shall, within 30 days from the date he ceases to use it as a place of residence, notify the Commissioner and pay the difference between the amount of tax resulting from the application of the reduced rate (5%) and the standard rate as applicable on the date of supply or construction of the dwelling (now 19%), which accounts for the period he has not used the dwelling for the purposes of residency, except in case of death of the beneficiary person or in case of a transfer by the person entitled to any adult child, as long as the child is not a beneficiary person at the time of the transfer.

7. Legislation (in Greek Language)

6.1 Law

Νόμος 95 (I)/2000

N.119(I)/2016

6.2 Circulars

E.E.210

E.E.212