



# Memo

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**To** Liv & Co Ltd - Clients  
**From** Michael C Grekas, KPMG Limited, Cyprus  
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**Ref** Memo to Liv & Co (VAT registration) - final clients

## **VAT registration and Compliance processes**

### **1. Background Facts**

As part of their business activities, the owners will be leasing their apartments to Liv & Co Ltd ('Liv'), which will, in turn, sublease these properties to customers. To ensure compliance with tax regulations and to be able to deduct input VAT on the properties they have purchased, the owners should register for VAT purposes. This registration is essential for:

- (i) accounting for output VAT on the income generated from leasing their properties,
- (ii) recovering the amount of VAT paid upon acquisition of the properties and VAT on equipment used to furnish them.

Below, we outline the step-by-step process for VAT registration and the necessary compliance requirements.

### **2. Obtaining a Tax Identification Number (TIN) – TFA Platform**

To comply with VAT registration requirements, we must first obtain a Tax Identification Number (TIN) through the Tax Authority's online platform (TFA). TIN is essential for tax compliance and enables clients to register for VAT.

#### **2.1. TFA – Platform Registration (Account Creation)**

To register for TFA we must first complete an online registration form and create a **username and password** for the gaining access to the platform. As part of this process, the system requires an email validation from the account owner. Once the confirmation email is received, the owner will simply verify his/hers email address and proceed with the next step of the registration process.

#### **2.2. TFA – Platform Registration (Submission of Information for approval)**

After email confirmation/verification, the registration procedure will need to be finalized by logging into the account created and subsequently uploading online the owners' information (e.g. contact details)

including address/place of residence, telephone number) and required documentation through their TFA account. Such documentation include the following:

- Identity Card (ID), Tax registration Certificate or Social Security number (officially translated in English)
- A photo taken during the application process
- Registration reason letter (signed)
- Title deed, Real Estate purchase agreement, or any other Real Estate agreement (stamped)

The authorities will then review the above-mentioned information and approve/reject the account, a process that should typically not take more than 10 working days.

### **3. VAT Registration (Application Form)**

Once the TIN is obtained, we will complete the **VAT registration form (TΦ1101)** for each owner. These forms will need to be signed by the owners and once signed, we will need to be provided with the original signed forms. Upon receipt, we will submit the VAT registration application forms to the TAX Office in order to activate their VAT accounts, which should not take more than ten working days.

#### **3.1. Obligation to Register for VAT purposes**

According to Schedule 1 of the CY VAT Act, VAT registration applies to all taxable persons carrying out a taxable economic activity (i.e. leasing of property in the context of holiday accommodation), where the value of their taxable supplies exceeds the VAT registration threshold of €15.600 in any consecutive 12-month period.

Therefore, each owner will be obliged to individually register for CY VAT Purposes once his/hers earnings from the leasing of property exceeds the VAT registration threshold. Each of the owners will be acting in an individual capacity and will solely be responsible for their VAT registration and onward preparation and submission of VAT returns. Additionally, they will also need to undertake any accounting/book-keeping requirements/obligations.

If revenue generated by owners is below this threshold, then the owners will reserve the right to register for VAT purposes. Refer to point 4.2. below for input VAT deduction right.

According to VAT Circular 153, which defines the VAT treatment of contractual relationships regarding holiday accommodation establishments like the one between the owners and Liv, the concession of the properties to Liv by the owners is considered a right of use for these properties. This right of use constitutes a taxable transaction for CY VAT purposes, subject to the standard rate of VAT 19%.

Each owner should therefore account for 19% VAT on the agreed amount for the right of use of the property to Liv (as per management agreement). The precise invoicing parameters have not yet been determined. Self-billing arrangements are likely to be made.

### **4. Compliance and Reporting**

Upon completing all the VAT registration steps, clients will be able to view their quarterly reporting periods through their TFA accounts. Within these periods, they must report revenues and expenses related to their business activity and account for the applicable VAT on those transactions.



The VAT return must be submitted no later than the 10th day of the second month following the end of the reporting period. For example, if the VAT registration process is finalized by March, then the first VAT return period will most probably be for the quarter ending March 2025 and thus the VAT return should be prepared and filed (via TFA) and any VAT amounts due paid to the Tax Department by the 10th of May 2025. In case the VAT registration procedure is finalized in April, then the first VAT return period would be ending June 2025 where the submission and VAT payment deadlines would move to 10th of August.

#### **4.1. VAT Reporting Periods & Deadlines:**

January – March → VAT return due by 10th of May

April – June → VAT return due by 10th of August

July – September → VAT return due by 10th of November

October – December → VAT return due by 10th of February

As per our understanding, we will handle the first available VAT return filing and can continue doing so upon request.

Please also note that we expect no adverse VAT implications for the owners in case where the VAT Registration procedure is not finalized by end of March.

#### **4.2. VAT Refund**

As for the refund of the VAT amount arising from the purchase of the property and VAT amounts on other expenditure used to furnish the property, please note that following their effective VAT registration, the owners would be entitled to submit a VAT refund claim via TFA portal once their first VAT return is submitted. Only the owners who are obliged and/or registered on a voluntary basis will be entitled to an input VAT deduction.

More specifically, the amount VAT incurred on the purchase of the property will be declared with the submission of their first VAT return. Subsequently, we will need to submit the details of the IBAN account to which the VAT refunds will be made. The bank account will need to be part of the Single Euro Payment Area (SEPA). To our knowledge, Israeli banks are not part of SEPA but, some Israeli banks have correspondent relationships with European banks that allow them to facilitate SEPA transactions indirectly.

The VAT Refund can only be made to the owners' bank account. The refund cannot be effected in the account of Liv & Co, even if Liv & Co will be appointed as the owners' tax representative.

Following submission of an acceptable/approved SEPA bank account/IBAN, we will be able to proceed with the submission of the online VAT refund claims via TFA. The Authorities will then examine the requests and upon conclusion of their examination will proceed with the VAT refund. The refund will be made in one-lump sum, where estimated time of the actual VAT refund may take anywhere from one to two weeks following successful examination of the refund claim (examination of the refund claim may take anywhere from two – ten weeks). Please note that the Authorities will not be refunding the entire amount of VAT incurred on the purchase of the property with the submission of the first VAT refund claim. We will have more insight on the amount to be returned and the timeline at the time of the claims.

Further, and as already noted, since it is likely that the VAT Authorities will not be returning the input VAT in its entirety, the remaining VAT refundable balance (i.e. the amount that will not be refunded) will be offset against future VAT payable amounts.

## **5. Change of circumstances**

### **5.1. Transfer of a business as a going concern**

In the event where an owner (whether the owner is part of the Collective agreement with Liv or in his/her individual capacity) decides to sell his/her property and provided that the new owner of the property will (i) expressly assume all responsibilities and obligations of the previous owner and that (ii) the rights of other parties involved (if any) are not affected and/or altered in any way, then, there will be a transfer of the business (either in its entirety or an independent part of it, depending on whether all or one of the current owners decide to sell) as a going concern. There will simply be a change of partner/owner to a capital asset (being the property) that has already been contributed to the informal partnership.

The transfer of the business activities of a business (including all activities, stock, assets, etc) from the seller to the buyer is not considered a transaction for VAT purposes and no VAT is to be accounted for provided that the conditions as laid out in the CY VAT Act 95(I)/2000 as amended are met. In case where at a subsequent stage, an owner proceeds with the sale of a property to a third party, the VAT treatment of that transaction should be examined by the TAX Department at that point in time, in order to determine whether it is in fact a transfer of a going concern.

### **5.2. Sale of property**

In the event where the sale of a property by an owner will be deemed as an outright sale of the property and the property is considered 'new' for VAT purposes (i.e. property sold within 5 years of completion – where date of completion deemed to be the day when property was connected with electricity – and property has not been used for 24 months by a third party) then that would constitute a taxable supply for VAT purposes and output VAT may be required on the value of the sale.

If there is use of the property of more than 24 months of the property or more than five years have passed from the day of its completion, then the sale would be exempt for VAT purposes. In case of an exempt sale however, there may be a claw-back of the input VAT initially recovered on the purchase of the property.

Once again, in case where at a subsequent stage, an owner proceeds with the sale of a property to a third party, the VAT treatment of that transaction should be examined by the TAX Department at that point in time, in order to determine whether it is in fact a transfer of a going concern.

## **6. VAT Penalties**

- Late notification of VAT registration will result in a €85 penalty per month (VAT Authorities should be notified within 30 days of when obligation to VAT register was triggered).
- Late submission of VAT return will result in a €100 penalty per return (VAT returns are submitted on a quarterly basis).
- Late payment of any VAT amounts due will result in a 10% flat rate penalty on the VAT amount due.
- VAT amounts due plus the 10% flat rate penalty are also subject to interest.



## 7. Other Tax considerations

The owners should also consider the direct tax implications that may arise in relation to these transactions including, income tax, special defense contributions (SDC), contributions to the General Health System (GHS), as well as Social Insurance contributions (SIC).

### 7.1. GHS (GeSY) implications

#### *Tax Treatment of Rental Income (via Online Platform or Property Manager)*

Both tax residents and non-tax residents are obligated to contribute to GHS (General Healthcare System) in Cyprus, provided they earn income from sources within Cyprus.

According to Circular 10/2023, section 3(β), in the case where the property owner assigns the management of the property to a property manager, the owner is required to pay the GHS (General Healthcare System) contribution through self-assessment on a semi-annual basis, and the property manager has no obligation to withhold the contribution.

We remain at your disposal for any questions you may have.

Yours sincerely,

Michael C. Grekas  
Board Member, Indirect Tax  
KPMG Limited



VAT registration and Compliance processes  
17 November 2025

**Use of this memo**

We would like to draw your attention to the fact that the views expressed in this memo are based on our interpretation of the relevant Cyprus VAT Legislation and practice, on the basis of our understanding of the current proposal. As will be appreciated, with all matters involving the interpretation of law and practice, there can be no guarantees that the Cyprus VAT Authorities, or ultimately a Court, will agree with our interpretation, even in circumstances where we believe our views to be absolutely right.

Furthermore, our advice is based on current Cyprus VAT Legislation and practice and is subject to any changes in law or practice that may occur in the future. We have no obligation to automatically update this opinion in the future.

This memo should not be shown to, or relied upon by, any party other than you, and we cannot take responsibility for any other party relying on the contents of this memo. We would, therefore, recommend that each third party seeks advice from their tax advisors before entering into a transaction. Any other person who chooses to rely on this memo chooses to do so at their own risk. To the fullest extent permitted by law, KPMG Limited in Cyprus accepts no responsibility or liability to any third party in connection with these Services.

Our considerations on the VAT issues as addressed in this memo are based on the facts and assumptions as presented to us, and pursuant to the terms of KPMG Limited's Services Contract. We have not considered any VAT consequences other than Cyprus VAT consequences, nor have we considered any non-VAT consequences. This memo does not constitute a legal opinion. We express no opinion other than as stated herein, and neither this memo, nor any prior statements, is intended to imply or be an opinion on any other matters.



## **APPENDIX A – List of required documents for TFA and VAT purposes**

### **A) TFA Registration (to obtain Tax Identification Number - TIN)**

#### **Step 1:**

##### **Required info of owner:**

- Full name
- Date of birth
- Unique Email
- Telephone number

##### **Creation of:**

- Username
- Password
- Answer to 3 security questions

*Receipt of email from Tax department to verify email address. Need to verify/click on enclosed link within two hours of receiving the email to proceed to Step 2.*

#### **Step 2:**

##### **Required info:**

- Residential Address (street, number, town/city, state/region, post code)
- Business Address (street, number, town/city, state/region, post code) – if different to residential address
- Scanned copy of Officially Translated ID (prepared by Idit) – if not in English language

##### **Required documents:**

- Scanned copy of Certified Power of Attorney (authorizing Idit to sign on their behalf)
- Scanned copy of Reason for Registration Letter (prepared by us, signed by Idit)
- Scanned copy of Passport
- Recent photo of individual (i.e. Selfie)
- Scanned copy of Stamped Contract of Sale of Property
- Agreement with Asset Manager (between owner(s) and Liv)
- Original VAT 104 form (prepared by us, signed by Idit)
- Scanned copy of Certificate of Incorporation (for companies)
- Scanned copy of Certificate of Registered office (for companies)
- Scanned copy of Certificate of Directors and Secretaries (for companies)
- Scanned copy of Certificate of Shareholders (for companies)
- Scanned copy of IDs of Directors and Secretaries (for companies) – will need translated IDs if ID is not in English language

##### ***Additional documentation for joint registrations:***

- Original VAT 102 form (for joint accounts, prepared by us, signed by Idit)
- Unique email for all joint registrations





**B) VAT Registration**

- Original TD 1101 forms (prepared by us, signed by Idit)
- Proof of economic activity (e.g. Scanned copy of sales invoice issued by owners)

**C) VAT Refund documents**

- Original TD2008 form – VAT refund form (signed by Idit)
- Scanned copy of SEPA Bank account number of owners (IBAN certificate)
- Original letter of consent between owners confirming the account to which the VAT refund will be deposited (for joint accounts)
- Scanned copies of purchase invoices of properties for all owners

**D) VAT returns completion (on calendar quarter basis)**

- Scanned copies of purchase and sales Invoices for the relevant periods

**NOTE:**

**Documentation:**

The above list is not exhaustive and the VAT Office may, at its discretion, request additional documentation (e.g. Title deeds of apartments/villas)

**Penalites:**

Please note that administration penalties may be imposed in case of backdated voluntary VAT registrations.

- a) Late submission penalty of quarterly VAT return - €100 per return
- b) Late notification of registration penalty - €85 per month (this is not imposed as registration is on voluntary basis)
- c) Late payment of any VAT due – 10% flat rate penalty on the due amount
- d) VAT amounts due plus the 10% penalty are subject to interest

Please note that any penalties that may arise and/or any amounts of VAT due will be offset against the VAT refundable balance the owners may have. (i.e. no cash outflow in respect of this, so long as the VAT refundable balance covers any VAT amounts and/or penalties due.