C | ACCOUNTING & TAX

Member of C | Business Advisors

VAT on Property Purchases in Cyprus

January 2026

ACS Accountserve Limited
9, Lampousas Street, 1095 Nicosia, Cyprus
T: +357 22 777012 | F: +357 22 772543
E: info@caccountingtax.com
caccountingtax.com

1. Can you claim VAT on the purchase of property in Cyprus?

The short answer: Yes, you can!

VAT paid on the purchase of immovable property in Cyprus may be **recovered/ claimed**, provided the property is acquired **for business activities** and used to generate **Vatable supplies**.

When is VAT recoverable?

VAT recovery is possible when the property is used for taxable supplies, such as:

- Renting the property as **holiday accommodation**, either directly through online platforms or via an intermediary.
- Renting the property to **another taxable person** (i.e. tenant being a business registered for VAT purposes in Cyprus) that carries out vatable activities.
- **Other cases** may also apply, depending on the specific circumstances.

Important:

Use of the property for **personal purposes** or for **long-term residential rentals** does **not** qualify as a Vatable supply. In such cases, VAT **cannot be recovered/claimed**.

The 10-year rule

The property must be used for business purposes for **at least 10 years.**

If, for example, the property is used privately in year 8, a **proportionate amount of the reclaimed VAT must be repaid** to the authorities.

VAT refund timeline

While the law does not specify how refunds are issued, in practice:

- Authorities often refund **30–50% initially**
- The remaining balance is released once **continued Vatable use** of the property is verified

1.2 Key matters to consider

VAT obligations

- The owner must be **VAT-registered in Cyprus**
- **Quarterly VAT returns** must be prepared and submitted
- Rental income must be **charged with VAT**, where applicable

Bank Account

- A **SEPA bank account** is required to receive VAT refunds

National Health Contributions (GESY)

- Income from Cyprus, linked to property situated in Cyprus is subject to **GESY at 2.65%**

Income Tax Obligations

- Annual **Cyprus income tax returns** must be filed
- Income tax becomes payable if **net taxable income exceeds €22,000 per year**. The amount of taxable income would derive after deducting for all relevant deductions.

Allowable Deductions

- **3% capital allowance** on the value of the property
- **20% flat deduction** on gross rental income
- **Mortgage interest**
- **Additional expenses**, depending on circumstances

Example:

a) Gross income: €30.000 per annum.
b) Cost of property: €400.000.
c) Capital allowance available for tax deduction will be €12.000 per annum. (€400.000x3%)
d) 20% deduction: €6.000 (€30.000 gross income x 20%)
e) Taxable Income: €12.000 (€30.000, Gross income minus €12.000, capital allowance minus €6.000, 20% deduction)

Since the taxable income is below the threshold of €22.000 no Income tax will be payable.

Income tax bands (individuals)

Taxable Income	Tax Rate	Cumulative Tax
Up to €22,000	**0%**	**€0**
€22,001 – €32,000	**20%**	**€2,000**
€32,001 – €42,000	**25%**	**€4,500**
€42,001 – €72,000	**30%**	**€13,500**
Over €72,001	**35%**	**–**

2. Can a property be purchased at a reduced VAT rate?

Yes – the 5% reduced VAT rate may apply
The reduced VAT rate of 5% is available only if the property is used as the buyer's **primary and permanent residence in Cyprus**.

New rules (effective 1 November 2023)

To qualify for the reduced rate:
- The **total covered area must not exceed 190m²**
- The **5% VAT applies only to the first 130m²**, and/or
- The **property value must not exceed €350,000, with the total transaction value capped at €475,000**

If **either** the area exceeds 190m² or the total value exceeds €475,000, the **entire property is subject to 19% VAT.**

Special exemptions

- **Persons with disabilities:**

The 5% rate applies to the **first 190m²**, provided the total value does not exceed €475,000

- **Families with more than three children:**

For each additional child beyond three, the allowable area increases by **15m²**
(Value thresholds of €350,000 / €475,000 remain unchanged)

Practical Examples

Example 1

Value of property: €350,000 | Area: 130m²

- Amount subject to 5% VAT: €350.000
- VAT at 5% on €350,000 = €17,500

Example 2

Value of property: €350,000 | Area: 150m²

- Amount subject to 5% VAT: €303.333 (130/150*€350.000)
- Amount subject to 19% VAT: €46.667
- 5% VAT on €303,333 → €15,166.66
- 19% VAT on €46,667 → €8,866.73

Example 3

Value of property: €370,000 | Area: 120m²

- Amount subject to 5% VAT: €350.000
- Amount subject to 19% VAT: €20.000
- 5% VAT on €350,000 → €17,500
- 19% VAT on €20,000 → €3,800

Example 4

Value of property: €475,000 | Area: 160m²

- Amount subject to 5% VAT: €284.375 (130/160*€350.000)
- Amount subject to 19% VAT: €190.625
- 5% VAT on €284,375 → €14,218.75
- 19% VAT on €190,625 → €36,218.75

Example 5

Value of property: €479,000 | Area: 191m²

- Entire amount subject to 19% VAT, as the thresholds are in excess.
- VAT payable = €91,010

The content provided in this document is intended for general informational purposes and reflects the current legislation as applicable.
For personalized guidance regarding your specific situation, it is advisable to consult C Accounting & Tax. Our team can evaluate the details of each case, provide advice on the relevant VAT schemes, and help ensure full adherence to Cyprus tax regulations.