



## Cyprus Indirect Tax News

Imposition of zero VAT rate on goods related to covid-19 and the reinstatement of the 9% VAT rate in relation to the provision of accommodation in the hotel sector, restaurant and catering services and passenger transportation

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### Imposition of zero VAT rate on medical products

On 23 December 2020, the Cyprus Council of Ministers by decree approved the imposition of the zero VAT rate on the delivery of in vitro diagnostic medical devices and vaccines used for COVID-19.

The zero VAT rate shall apply from 23 December 2020 until 31 December 2022.

### Reinstatement of the 9% VAT rate on certain services

As a reminder, from 1 July 2020 until 10 January 2021 the reduced 5% VAT rate had been applied on the below services instead of the reduced 9% VAT rate:

- Accommodation in hotels, tourist lodging and similar lodging, including the provision of holiday accommodation;
- Restaurant and catering services; and
- Transportation of passengers and their accompanied luggage within the Republic of Cyprus by urban, intercity, and rural taxis and by tourist and intercity buses.

Therefore, as from 11 January 2021 the above services are subject to 9% VAT.

## Transitional provisions

Based on the general rules, the VAT rate to be applied to each transaction is the one that applies on the date the invoice is issued or the payment is received (whichever is earlier).

However, the transitional provisions of Article 55 of the VAT law may be applied as follows:

- Where the service is provided or the good is delivered before the VAT rate change and the invoice is issued after the change (but within 14 days from the completion of the service), the new VAT rate should be imposed unless the supplier opts to use the previous rate.
- Where the service is provided or the good is delivered after the VAT rate change, but the invoice was issued or the payment was received before the change, the new VAT rate may be applied.
- If an advance payment was made before the VAT rate change and the service was provided and/or the invoice was issued after the change, the supplier should impose and pay VAT on the advance payment at the previous rate. However, the supplier, upon issuing the invoice (following the change in the VAT rate), may impose the new VAT rate on the entire amount (including the amount of the advance).

### How can the Indirect Taxation Team of Deloitte help you?

We are at your disposal to discuss the above and advise on how the above might impact your business.



Get in touch

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