



Cyprus Tax News

Imposition of a 0,4% contribution on Cyprus immovable property disposals

On 22 February 2021, a [law](#) was published in the Official Gazette amending the provisions of the Central Agency for Equal Distribution of Burdens (Creation, Objects, Responsibilities, and Other Related Matters) [Law](#).

According to the amendment, a contribution of 0,4% is imposed on the sale of immovable property in the Republic. The proceeds will go toward supporting refugees and owners of inaccessible immovable property, in an attempt to compensate for the inability to possess or use the land in the occupied north.

The contribution of 0,4% is payable by the seller of the property and it is imposed on the sale proceeds from:

- the sale of immovable property located in the areas controlled by the Republic; and
- the sale of shares in a company that owns such immovable property, provided that the buyer takes control of the company. For the calculation of the contribution, the value of the shares equals the latest valuation of the immovable property by the Department of Lands and Surveys.

As the law does not provide further details, uncertainty remains in a number of significant issues:

- Possible exemptions from the contribution (i.e. Debt For Asset Swaps, reorganisations, foreclosures, donations between family members);
- Transactions between related parties at below market value;
- Practical issues such as the way the payment will be made, at which point and who the collection agent is;
- Imposition of interest and penalties.

A more detailed alert will follow after the issue of relevant Regulations, which are expected to clarify the above, and other issues.

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