



Cyprus Indirect Tax News

Issue 7/2026

Extension to the transitional provisions for the reduced VAT rate of 5% on primary residences in Cyprus until 31 December 2026

The Cyprus Tax Department has extended the deadline for transitional provisions that allow the application of the reduced VAT rate of 5% under the previous regime on the acquisition and/or construction of primary and permanent residences in Cyprus.

This extension is beneficial for individuals facing administrative delays by Planning Authorities.

Originally set to expire on 15 June 2026, affected parties can now submit their application until 31 December 2026, and benefit from the reduced VAT rate of 5% for the first 200 square meters of the buildable area of the residence under the previous regime.

Key Details of the Extension

Applications for the reduced VAT rate of 5% under the older regime can be submitted by 31 December 2026 provided that:

- **Planning Permission:** Was applied by 31 October 2023.
- **Building Permit:** Issued after 01 January 2025 or not issued by 31 December 2026.

All applications should be duly completed and submitted through the Tax For All (TFA) system.

Overview of the VAT Regimes

For the changes introduced in June 2023, please refer to our previous article available at:

<https://www.taxathand.com/article/30085/Cyprus/2023/Changes-to-reduced-VAT-rate-applicable-to-primary-and-permanent-residence>.

Below is a brief summary:

Previous Regime

The 5% VAT rate applies to the first 200 square meters of buildable area.

- **Conditions:**
 - ✓ Planning permission applications required by 31 October 2023 and
 - ✓ application for the 5% VAT required by 15 June 2026.

New Regime (Post-June 2023)

The 5% VAT rate applies only to the first 130 square meters, with a cost cap of €350,000 provided that the buildable area does not exceed 190 square meters and/or the total cost does not exceed €475,000.

Adjustments apply for persons with disabilities and large families.

How can we help?

We are at your disposal to discuss the above development.

Get in touch

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