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Amendments to the Cyprus VAT Law related to the supply of new properties and the renovation of second hand properties

New criteria to determine when a building is considered "new" for VAT purposes

On 27 February 2026, Cyprus published two Decrees (no. 102/2026 and 103/2026) amending the Cyprus VAT Law, particularly the Fifth and Eighth Schedules, concerning the supply of new immovable properties and the renovation of second hand immovable properties, with effect 1 September 2026.

These changes introduce new criteria to determine when a building is considered "new" for VAT purposes.

Effective date: The amendments came into effect on **1 September 2026**.

Amendments to the 8th Schedule of the VAT Law (Decree no.103/2026)

As of 1 September 2026, a building is considered "new" if it is supplied **before its first occupation**.

"First occupation" refers to the first use of a building after its delivery or construction. This includes owner-occupation, personal use, leasing, or any other form of use that occurs on a systematic basis.

"First use" refers to the utilization or exploitation of a building after its delivery or construction, which occurs on a systematic basis for a period of at least eighteen (18) months.

Under the new amendments, any supply of a **building and its accompanying land that occurs before it has been systematically used for eighteen (18) months will now be subject to VAT.**

Amendments to the 5th Schedule of the VAT Law (Decree no.102/2026)

Similar amendments in the Fifth Schedule of the Cyprus VAT Law redefine the terms "first occupation" and "first use" impacting the application of the 5% reduced VAT rate for the following:

a) **Private residence renovations:** It clarifies that the eighteen (18) months of systematic use count towards the three-years requirement for a residence to be considered old.

b) **Supply of buildings:** Based on the existing provisions, any use, even for a short period of time, could disqualify a building from the reduced VAT rate. Under the amended law, if the building is sold before reaching 18 months of systematic use, the reduced VAT rate can apply.

In other words, under the amended law, a "new" building subject to VAT can also qualify for the reduced VAT rate provided other conditions (i.e., size, value, and buyer's status) are met.

Implementation Considerations

- **Property Developers and Sellers** should ensure accurate tracking of when a building first enters into systematic use. Documentation such as lease agreements, occupant logs, utility bills may serve as valuable evidence to avoid unexpected VAT liabilities.

- **Buyers and Investors** should verify whether properties are deemed "new" under the new law to plan for any VAT or other financial implications.

Examples

Below we provide some practical examples to illustrate how these changes will impact relevant transactions relating to immovable property:

Example 1: Unused building over 5 years old.

- As of 1 September 2026, this building is considered "new" for VAT purposes since there was no systematic use exceeding 18 months. Therefore, it's sale would be subject to VAT.

Example 2: Building completed 3 years ago and used by a related person (or the owner) for the whole period.

- As of 1 September 2026, this building is considered “second hand” since it has more than 18 months of systematic use. Therefore, it’s sale would be exempt from VAT.

Example 3: Apartment used for 6 months and subsequently sold to the tenant.

- As of 1 September 2026, this building is considered “new” since there was no systematic use exceeding 18 months. Therefore, it’s sale would be subject to VAT. Additionally, it would be eligible for the reduced VAT rate.

Example 4: House completed more than 18 months ago but used for only 17 months.

- As of 1 September 2026, this house is considered “new” since there was no systematic use exceeding 18 months. Therefore, it’s sale would be subject to VAT. Additionally, it would be eligible for the reduced VAT rate.

Example 5: House used for 18 months and 1 week and subsequently sold.

- As of 1 September 2026, this house is considered “second hand” since there was systematic use exceeding 18 months. Therefore, its sale would be exempt from VAT.

For more details on the amendments, please refer to our previous article available at:

https://www.deloitte.com/cy/en/services/tax/blogs/amendments-to-the-cyprus-vat-law-new-properties-and-renovation-of-old-properties.html

How can we help?

We are at your disposal to discuss the above amendments.

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