

TAX GUIDES 2026 · GUIDE 02

Cyprus and EU VAT Guide

Domestic transactions, cross-border trade, digital business and property:
rates, registration, recovery, OSS and IOSS, the SME scheme and the ViDA
timetable

About this guide

This publication forms part of the **ATZ FinHub Tax Guides 2026** series, prepared for business owners, finance teams, private clients and their advisers who work with, or are considering, Cyprus. The series is organised so that each guide can be read on its own, while the cross-references point to the companion guides for deeper treatment.

Guide	Title	Focus
01	Cyprus General Tax Guide	The complete framework: reforms, rates, individuals, companies, VAT, payroll, property, compliance
02	Cyprus and EU VAT Guide	Domestic VAT, cross-border goods and services, OSS/IOSS, SME scheme, property, ViDA
03	Cyprus IP Box Guide	Qualifying assets, modified nexus, worked calculations, records and filing
04	Individuals, Self-Employed and Immigration	Personal tax, residence and non-dom, reliefs, social insurance, residence and work permits
05	Cyprus Companies Tax Guide	Corporate tax computation, incentives, groups, transfer pricing, withholding, compliance calendar
06	Global Tax Rates Guide	Headline corporate, personal and consumption taxes for 80+ jurisdictions with comparison notes

Information date

The information in this guide reflects legislation, regulations and published administrative practice reviewed to **24 September 2026**. Tax law changes frequently; proposals announced but not enacted are identified as such. Rates and thresholds should be re-checked for the actual transaction or filing date.

How to read the tables

Rates are stated as headline statutory rates unless otherwise indicated. A rate is not an eligibility decision: conditions, caps, anti-avoidance rules and documentation requirements are summarised alongside each item and must be confirmed for the specific facts. Worked examples state their assumptions and are illustrative only.

IMPORTANT NOTICE

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01

How VAT works and how to analyse a transaction

Value added tax is a transaction tax charged at each stage of the supply chain and borne by the final consumer. Cyprus applies the EU VAT Directive through the VAT Law 95(I)/2000, so a Cyprus business must understand both the domestic rules and the common EU framework that governs cross-border trade.

19%

Standard rate,
unchanged since 13
January 2014

€15,600

Registration threshold for
businesses established
in Cyprus

10th

Day of the second month
after the quarter: return
and payment due

5 rates

0%, 3%, 5%, 9% and
19%, plus exemption and
outside-scope
transactions

• The four charging events

Cyprus VAT is chargeable on four categories of transaction. The first two are the ordinary domestic events; the last two exist because the EU single market removed customs frontiers between Member States and the tax must instead be collected by the customer in the country of arrival.

Transactions within the scope of Cyprus VAT

Event	Description	Who accounts for the VAT
Supply of goods or services	A taxable supply made in Cyprus by a taxable person in the course or furtherance of a business	The supplier, unless a domestic reverse charge applies
Intra-Community acquisition	Goods physically delivered to Cyprus from another Member State, acquired by a business or by a non-taxable legal person above the acquisitions threshold	The Cyprus customer, through acquisition accounting
Reverse-charge services	Services received by a Cyprus taxable person from a supplier established abroad where the place of supply is Cyprus	The Cyprus customer, as output tax; the same amount is deductible as input tax only to the extent the customer's recovery position permits
Importation	Goods entering Cyprus from outside the EU, regardless of the status of the importer	The importer, to the Department of Customs and Excise at the time of import

● Output tax, input tax and the return

A registered business charges VAT on its taxable supplies (output tax) and is charged VAT on the goods and services it buys (input tax). Each quarter it pays the difference to the Tax Department, or, where input tax exceeds output tax, carries the excess forward as a credit or claims a refund in the circumstances described in Chapter 05. The economic burden therefore rests with the person who cannot recover the tax: a private consumer, an exempt business such as a bank or a school, or a business buying a blocked item such as a saloon car.

The zero rate and exemption look similar to the customer, since no VAT appears on the invoice, but they are opposites for the supplier. A zero-rated supply is a taxable supply at 0%, so the supplier recovers input tax in full. An exempt supply carries no right of deduction, so related input tax is a cost.

A supply that is outside the scope of Cyprus VAT because its place of supply is abroad is a third category, and the reverse charge is not a rate at all but a rule about who accounts.

● A seven-step method for any transaction

VAT follows the supply, the customer and the place-of-supply rules. The location of the bank account, the currency of the invoice or the residence of the shareholder does not decide the result. The sequence below produces a defensible answer and, just as importantly, a record of why the answer was reached.

- 01 Identify the supply.** Is it goods, services, a single composite supply or several separate supplies? Read the contract and the commercial substance, not the invoice description alone.
- 02 Identify the supplier.** Is the business acting as principal, as a disclosed agent, or as an electronic interface that the law deems to be the supplier?
- 03 Identify the customer.** Business or consumer; established where; which establishment actually receives the service. A valid VAT number is the primary evidence for business status.
- 04 Fix the place of supply.** Apply the goods rules (where the goods are, or where transport begins) or the services rules (general B2B and B2C rules and their exceptions).
- 05 Determine the liability.** Rate, exemption or zero rate; and whether the supplier charges or the customer self-accounts under a reverse charge or a special scheme.
- 06 Fix the time of supply.** Delivery, completion, invoice or payment, whichever creates the tax point, decides the return period.
- 07 Test recovery.** Does the purchase support supplies carrying a right of deduction, is there a valid document, and does any block or partial exemption restriction apply?

WORKED EXAMPLE: VAT-INCLUSIVE AND VAT-EXCLUSIVE PRICES

A Cyprus consultant agrees a fee of €1,000 excluding VAT with a local client. Output tax at 19% is €190 and the invoice total is €1,190. If instead a consumer contract fixes an all-inclusive price of €1,000, the VAT element is $€1,000 \times 19/119 = \text{€}159.66$ and the net value is €840.34. A contract that is silent on VAT is treated as inclusive.

VAT is administered by the Tax Department through the Tax For All (TFA) portal; Intrastat is filed through TAXISnet and import VAT is collected by the Department of Customs and Excise. Guide 01, Cyprus General Tax Guide, sets VAT in the context of the wider 2026 tax system; Guide 05, Cyprus Companies Tax Guide, covers the interaction with corporate compliance.

02

Rates and the scope of each rate

Cyprus applies a standard rate of 19%, reduced rates of 9%, 5% and 3%, and a zero rate, alongside exemptions without the right of deduction. The standard rate is the default: a supply is taxed at 19% unless a Schedule to the VAT Law places it at a lower rate or exempts it, and the statutory description, not the industry label, decides.

19% Standard rate: all supplies not listed elsewhere	9% Restaurants, hotels, taxis, domestic sea transport	5% Food, medicines, main residence, renovation, admission; domestic electricity tariffs to 31 March 2027	3% Books and press, disability aids, waste and sewage, premieres
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• The rate structure and its history

Cyprus introduced the 3% rate and extended the zero rate on 21 July 2023 under the EU rates reform (Directive (EU) 2022/542). The standard rate rose from 5% at the introduction of VAT in 1992 through 15% (2003), 17% (2012) and 18% (2013) to 19% on 13 January 2014; the 9% rate replaced 8% on the same date and the 5% rate has applied since 2000.

• The zero rate (0%)

Zero-rated supplies are taxable supplies at a rate of nil. They count towards the registration threshold, they carry full input tax recovery and they must be supported by evidence. The principal categories are set out in article 25 and the Sixth Schedule of the VAT Law.

Supplies taxed at 0%

Category	Scope and conditions
Exports of goods	Goods dispatched to a destination outside the EU, and services directly connected with the export; commissions received from abroad relating directly to exports
Intra-Community supplies of goods	Goods dispatched to a taxable person in another Member State who provides a valid VAT number; the supply must be reported in the VIES statement (see Chapter 06)

Category	Scope and conditions
International transport	International air and sea transport of passengers and goods and related services, other than intra-Community transport of goods
Qualifying vessels and aircraft	Supply, lease, repair, maintenance and provisioning of qualifying seagoing vessels and aircraft, ship management services and services for the direct needs of such vessels
Goods under customs arrangements	Goods placed in customs or bonded warehouses, free zones, temporary importation, transit or transshipment, services to such goods, and goods under the VAT warehousing regime
Disability aids	Typewriters with Braille characters and special electronic typewriters (CN 84.69 and 84.72.90.80); wheeled and other vehicles for persons with disabilities (CN 87.13) for their exclusive personal use
Other	Gold supplied to the Central Bank of Cyprus; intermediaries for transactions outside the EU; inward processing for non-EU principals; goods for drilling platforms; goods supplied to non-profit bodies for humanitarian export; the margin on travel packages enjoyed outside the EU

Temporary rate measures in force during 2026

Three cost-of-living measures alter the rate of specified supplies for fixed periods. Each is a dated decree under the VAT Law, each is confined to the products or tariffs it describes, and each lapses on its expiry date unless a further decree extends it. The table gives the position at the review date; the expiry dates should be checked for extension before they fall.

Temporary VAT measures: rates, periods and scope

Measure	Rate	Period	Scope and exclusions
Zero rate on essentials	0%	Extended to 31 December 2026; the 5% rate resumes on 1 January 2027 unless extended	The products listed in the decree in force: bread, milk, eggs, baby food, coffee, sugar, specified fresh vegetables and fruit, children's and adults' nappies and women's sanitary protection products. Not a blanket zero rate for food: the product must match the statutory description
Zero rate on meat and fish (Κ.Δ.Π. 168/2026)	0%	6 April 2026 to 30 September 2026, unless extended	Specified fresh, chilled or frozen meat and edible offal, and fish, as described in the decree; prepared, processed and catering supplies and products outside the listed descriptions remain at 5% or 9%
Reduced rate on domestic electricity (Κ.Δ.Π. 167/2026)	5%	Meter readings from 1 May 2026 to 31 March 2027, unless extended	Electricity supplied under the domestic-use tariffs: private residences, recipients of public assistance and the thermal storage tariff for those consumers. Commercial, industrial and other non-domestic tariffs remain at 19%. The earlier 9% rate on the same residential tariffs applied to consumption from 1 April 2025 to 31 March 2026 only

CAUTION: EXPIRY DATES AND SYSTEM SETTINGS

Systems should carry each expiry date so that the ordinary rate resumes automatically (5% on the essentials list from 1 January 2027, 5% on meat and fish from 1 October 2026, 19% on domestic electricity readings from 1 April 2027) unless a further decree extends the measure. The meat and fish measure expires within days of this edition's review date: check for an extension decree before applying either rate after 30 September 2026. A supply outside the decree wording falls back to its ordinary rate, and a decree for domestic tariffs gives no relief to commercial supplies.

● The 3% super-reduced rate

The 3% rate moved cultural goods and disability equipment down from 5% and brought some waste and cultural services down from 19%.

Supplies taxed at 3%

Category	Scope and conditions
Books, newspapers and periodicals	In physical or electronic form or both (CN 49.01 – 49.05), including brochures, children's picture and colouring books, printed or handwritten music and hydrographic charts; production of such publications for non-profit organisations. Excludes publications wholly or mainly for advertising or consisting wholly or mainly of video or audio content
Disability equipment	Books for persons with disabilities (CN 85.23); special lifting devices, stair lifts and similar equipment; wheelchairs and other vehicles for persons with disabilities other than those zero-rated for exclusive personal use
Orthopaedic and prosthetic items	Orthopaedic appliances, surgical belts and bandages, crutches, splints and fracture appliances, prosthetic items, hearing aids and other devices worn, carried or implanted to compensate for a defect or disability; parts and accessories excluded
Street cleaning, refuse collection, waste treatment	When performed by private operators; services of the State, local authorities and public law bodies are excluded
Sewage disposal and treatment	Including the emptying of septic and industrial tanks
Theatre and concert premieres	Right of admission to the first performance of theatrical, musical and dance works and classical works staged in Cyprus in theatres or similar venues, not in bars, clubs or other nightlife venues

● The 5% reduced rate

The 5% rate under the Fifth Schedule covers the "essentials" categories and the housing reliefs examined in Chapter 09.

Supplies taxed at 5%

Category	Scope and conditions
Food, drink and agriculture	
Food for human consumption	Foodstuffs and beverages other than when supplied in the course of catering; excludes alcoholic beverages, beer, wine and carbonated soft drinks. Take-away and delivered food is at 5%; food consumed on the premises is restaurant catering at 9%

Category	Scope and conditions
Water, canteens, agriculture, LPG	Water, bottled water and non-carbonated juice drinks; catering by school canteens; animal feed, fertilisers and insecticides; liquefied petroleum gas in cylinders (Circular EE 196)
Energy (temporary)	
Domestic electricity tariffs	Electricity supplied under the domestic-use tariffs (private residences, recipients of public assistance and the thermal storage tariff for those consumers) for meter readings from 1 May 2026 to 31 March 2027 (Κ.Δ.Π. 167/2026), unless extended. Commercial and other non-domestic tariffs remain at 19%
Health and welfare	
Medicines and vaccines	Pharmaceutical products used for medical treatment, prevention of illness and medical or veterinary purposes
Other health and welfare	Goods for persons with disabilities not listed at 3% or 0%; children's car seats; funeral services and coffins
Housing	
Main and permanent residence	Purchase or construction of a house or flat used as the eligible person's primary and permanent residence, within the 130 m ² / €350,000 parameters and subject to prior approval (Chapter 09)
Renovation and repair of private dwellings	Dwellings at least three years old (and, from 1 September 2026, used for at least 18 months), excluding materials exceeding 50% of the value of the service; extensions and additions included since 20 August 2020
Educational buildings	Construction and renovation of school buildings used for exempt education (Decree of 5 December 2025), excluding tutoring centres
Culture, sport and personal services	
Admission	Performances, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events, including in private venues such as hotels, provided the ticket price does not include food or catering (drinks may be included)
Sport, arts, personal services, buses	Entry to sports events and use of athletic facilities (Circular EE 231); services of writers, composers and performing artists and their royalties; works of art executed wholly by the artist; hairdressing; urban, suburban and rural bus fares

● The 9% reduced rate

Supplies taxed at 9%

Category	Scope and conditions
Restaurant and catering services	Supply of prepared or unprepared food and drink for consumption on the premises with adequate supporting services; includes soft drinks, beer, wine and other alcoholic beverages (Circular 11/2022 confirms 9% where only beverages are served, provided adequate services are rendered)

Category	Scope and conditions
Hotel and holiday accommodation	Accommodation in hotels, tourist establishments and similar, including holiday accommodation; combined supplies of accommodation with breakfast, half board or full board, and combined packages including other catering elements such as alcoholic drinks
Events with catering	Admission to organised artistic or entertainment events where the ticket includes restaurant or catering services, as a single supply, whether or not the customer consumes all elements
Taxis and tourist buses	Transport of passengers and their luggage by urban, suburban and rural taxis and by tour, excursion and suburban buses
Domestic sea transport	Transport of passengers and their luggage by sea within Cyprus
Residential electricity (expired 31 March 2026)	EAC residential tariffs 01, 02, 08 and 56 were at 9% for consumption from 1 April 2025 to 31 March 2026. The measure was not renewed at 9%: domestic-use tariffs are at 5% for meter readings from 1 May 2026 to 31 March 2027 (Κ.Δ.Π. 167/2026; see the 5% table), and 19% applies to any supply not covered by that decree

● Exempt supplies

Exempt supplies carry no right of deduction. They are listed in the Seventh Schedule (Table A, public interest; Table B, financial and insurance services) and the Eighth Schedule (immovable property). Cyprus has no general option to tax; the only comparable mechanism is the commercial leasing regime in Chapter 09.

Principal exemptions without the right of deduction

Category	Scope and principal exceptions
Immovable property	Sale of used buildings, of buildings for which the planning or building permit application was filed before 1 May 2004, and of land other than building land; leasing and letting of immovable property (residential letting is always exempt; holiday accommodation with hotel-type services is taxable at 9%). Taxable exceptions: new buildings before first occupation, non-developed building land supplied in the course of business, commercial leases to taxable persons unless the landlord opts out, long-term leases treated as supplies of goods
Financial services and insurance	Granting and negotiation of credit, operation of bank and payment accounts, dealings in currency and securities, management of mutual funds; insurance and reinsurance including brokers and agents. Input tax attributable to the transactions in article 135(1)(a) – (f) of the Directive (insurance, credit, guarantees, accounts, currency and securities) supplied to customers established outside the EU is recoverable under article 169(c); the rule does not automatically extend to fund management (article 135(1)(g)), and place of supply, exemption and recovery are separate questions (Chapter 10)
Medical care and education	Hospital, medical, paramedical and dental care by registered practitioners, ambulance services and human organs, blood and milk (cosmetic procedures are standard-rated); education by registered schools, universities, music and ballet schools and examination centres, including closely related private tuition
Welfare, culture and other	Social welfare and child protection; membership, cultural and sporting services of non-profit bodies where competition is not distorted; the national postal authority; lottery tickets, betting and gambling; non-business transactions of the Cyprus Broadcasting Corporation

03

Taxable persons and registration

A taxable person is any person who independently carries on an economic activity, whatever its purpose or result. Registration is the gateway to the system: it triggers the duty to charge output tax and the right to recover input tax, and the registration tests differ for established businesses, non-established businesses, acquirers of goods and recipients of cross-border services.

€15,600

Taxable turnover in any 12 months, or expected in the next 30 days

€10,251.61

Intra-Community acquisitions of goods in a calendar year

Nil

Threshold for B2B services to other Member States and for non-established suppliers

30 days

From the end of the month in which the obligation arises to notify the Tax Department

• Who is a taxable person

Articles 2, 3 and 6 of the VAT Law follow article 9 of the VAT Directive. "Business" means any economic activity carried on independently in any place, including the activities of producers, traders, professionals and the exploitation of property to obtain income on a continuing basis. Employees are not taxable persons because they do not act independently. The mere holding of shares is not an economic activity, so a pure holding company is not a taxable person and cannot register or recover VAT; a holding company that provides management or other services for consideration to its subsidiaries is a taxable person in respect of those services.

Exempt businesses, non-taxable legal persons and flat-rate farmers are not required to register for their own supplies, but may become liable to register for intra-Community acquisitions above the acquisitions threshold or for services received from abroad under the reverse charge, a common oversight for banks, insurers, schools, charities and investment vehicles.

• Registration tests for Cyprus-established businesses

A person with a business establishment or fixed establishment in Cyprus, or whose usual place of residence is in Cyprus, must register when either of two tests is met. Taxable turnover for these purposes includes zero-rated supplies and the value of reverse-charge services received, but excludes exempt supplies and the disposal of capital assets.

The historic and future tests

Test	Trigger	Notification deadline	Effective date of registration
Historic test	At the end of any month, taxable supplies in the preceding 12 months exceed €15,600	Within 30 days of the end of that month	The date fixed by the Tax Department under the First Schedule: on the current reading, the day after the 30-day notification period expires, or an earlier date agreed with the applicant. Confirm the date on registration
Future test	At any time there are reasonable grounds to believe taxable supplies in the next 30 days alone will exceed €15,600	Within 30 days of that day	The day on which the grounds arose

Source: VAT Law 95(I)/2000, First Schedule, paragraph 1; Information Leaflet 3. The effective date under the historic test is stated as the Tax Department applies it in practice and should be confirmed against the registration certificate.

WORKED EXAMPLE: REGISTRATION DATES

A Larnaca web-design studio's rolling 12-month taxable turnover first exceeds €15,600 on 30 June 2026. It must notify the Tax Department by 30 July 2026 and, on the current reading of the First Schedule, is registered with effect from 31 July 2026 (the date on the certificate governs). Had the studio instead signed a single contract on 20 January 2026 worth €18,000 payable within the month, the future test would apply: it must notify by 19 February 2026 and is registered from 20 January 2026 itself, so VAT is due on that contract even though the client has not been charged it. Contracts with new businesses should therefore state that fees are exclusive of any VAT that becomes chargeable.

Other registration triggers

Several obligations arise independently of the €15,600 test. Each has its own measure and, in some cases, no threshold at all.

Registration thresholds in force for 2026

Trigger	Threshold	Notes
Taxable supplies by an established person	€15,600	Historic 12-month or future 30-day test; zero-rated supplies count
Taxable supplies by a non-established person	None	Since 20 August 2020; exemption available if only zero-rated supplies are made; EU-established SMEs may opt out under the conditions in Chapter 08
Intra-Community acquisitions of goods	€10,251.61	Per calendar year, or expected in the next 30 days; applies to exempt businesses, non-taxable legal persons and flat-rate farmers
Services received from abroad under the reverse charge	€15,600	The value of reverse-charge services counts towards the general threshold in any 12-month period
Intra-Community supplies of services to VAT-registered customers	None	Registration is required to report the supplies in VIES, whatever their value

Trigger	Threshold	Notes
Intra-EU distance sales and TBE services to consumers	€10,000	EU-wide threshold for the supplier's total cross-border B2C sales of goods and telecommunications, broadcasting and electronic services (Chapter 08)
Transfer of a going concern	Turnover of transferor	The transferee inherits the transferor's turnover for the threshold test and must notify within 30 days

Source: VAT Law 95(I)/2000, First, Second and Third Schedules; Directive 2006/112/EC, articles 3, 59c and 283.

● Voluntary registration and exemption from registration

A person below the threshold may register voluntarily if it makes, or intends to make, taxable supplies, including supplies outside Cyprus that would be taxable here; the Tax Department requires evidence such as contracts or invoices. Voluntary registration suits start-ups with significant input tax and businesses with VAT-registered customers, less so consumer-facing businesses that would have to absorb the tax. Conversely, a person that has exceeded the threshold may apply for exemption from registration where it makes only zero-rated supplies, or where it does not expect taxable turnover to exceed €13,668.81 in the following 12 months, at the cost of losing input tax recovery.

● Non-established businesses and tax representatives

A business without a fixed establishment in Cyprus must register, without any threshold, if it makes supplies in Cyprus on which it is liable to account for Cyprus VAT, or if it makes intra-Community supplies or acquisitions here. A fixed establishment requires a sufficient degree of permanence and a suitable structure of human and technical resources to make or receive supplies; a VAT number, a warehouse operated by a third party or a local bank account does not by itself create one (Circular EE 243).

In practice a non-established business registers where it sells to private individuals or non-registered persons in Cyprus (unless covered by the €10,000 threshold or declared through OSS), holds stock here or makes intra-Community supplies or acquisitions from Cyprus. It does not register for B2B services reverse-charged by the Cyprus customer, for installation supplies to a Cyprus-registered customer by a supplier registered in another Member State, or for supplies subject to a domestic reverse charge.

Businesses established in another Member State register directly. Businesses established outside the EU may be directed by the Commissioner to appoint a VAT representative under article 37 of the VAT Law (Form VAT 104), who is jointly and severally liable for the VAT, although the Commissioner may instead accept direct registration supported by a bank guarantee. A representative is generally not required for businesses established in Switzerland, and reciprocity arrangements have allowed direct registration for businesses from Norway and Israel.

● VAT groups

Two or more taxable legal persons established in Cyprus may register as a VAT group under article 32 of the VAT Law where financial, economic and organisational links exist between them. The criteria mirror article 11 of the VAT Directive and are interpreted strictly by the Tax Department.

Financial links exist where one entity controls the others or all are controlled by a common third person; economic links where the members' principal activities are of the same nature, complementary or interdependent; and organisational links where the members are under common management.

The group is treated as a single taxable person. A representative member files one return and pays or reclaims VAT for all members; supplies between members are disregarded; supplies to and from third parties are treated as made by the representative member; and all members are jointly and severally liable for the group's VAT and penalties, with former members remaining liable for debts incurred while they were members. There is no minimum duration, but the Commissioner may refuse an application to protect the revenue.

Existing VAT numbers are cancelled and a new group number is issued in the representative member's name, so the other members' names do not appear on the VIES validation site. Fixed establishments in Cyprus of foreign companies may join a group (Circular EE 221), but pure holding companies and companies making only exempt supplies without a right of deduction may not.

● Registration procedure

- 01 Determine the effective date.** Apply the historic or future test and record the evidence; late registration attracts a penalty of €85 for each month of delay and output tax is due from the effective date whether or not it was charged.
- 02 File the application.** Submit Form T.F. 1101 through the Tax For All portal with the corporate certificates, identification of the signatory and evidence of turnover or, for voluntary applications, of intended taxable supplies.
- 03 Obtain the number.** Registration is normally completed within one to four weeks. The number has the format CY12345678X; the CY prefix is used automatically for intra-Community trade and VIES, and no separate registration for intra-Community supplies is required.
- 04 Register for VIES and Intrastat where relevant, and notify changes** of name, address, directors, activity or bank details through TFA on Form T.D. 2003 as soon as they occur.

● Deregistration

Registration must be cancelled when the person ceases to make taxable supplies or ceases to intend to make them; the person must notify the Commissioner within 60 days on Form T.D. VAT 204 and the supplementary questionnaire, and failure to do so attracts a one-off penalty of €85. A registered person may apply to deregister voluntarily where taxable turnover has fallen below €13,668.81 and is not expected to exceed that figure in the next 12 months; cancellation takes effect from the date of notification or a later agreed date. Persons registered only for distance sales or for acquisitions deregister when those activities cease, and the Commissioner may cancel a registration retrospectively where the person was never entitled or liable to be registered. A final return is filed through the TFA messaging function, and output tax is due on stock and assets on hand at deregistration where input tax was recovered on them.

PENALTY

Late registration: €85 for each month the failure continues, in addition to the VAT that should have been accounted for from the effective date, the 10% late-payment penalty and interest. Late deregistration: €85 one-off.

04

Time of supply, taxable amount and invoicing

The tax point fixes the return period in which output tax must be declared; the taxable amount fixes how much; and the invoice is the document that carries the customer's right of deduction. Errors in any of the three are the most frequent findings in a VAT audit.

• The tax point rules

For goods, the basic tax point is delivery; for services, completion. An invoice issued or payment received before the basic tax point creates a tax point for that amount, and an invoice issued within 14 days after it moves the tax point to the invoice date unless payment was received earlier; the Commissioner may extend the 14-day period.

Time of supply by type of transaction

Transaction	Tax point
Supply of goods	Earliest of delivery, invoice or payment; invoice within 14 days after delivery overrides the delivery date
Supply of services	Earliest of completion, invoice or payment; same 14-day invoice rule
Deposits, prepayments and continuous supplies	A tax point arises for each amount received or invoiced (not for prepayments for intra-Community supplies of goods); for a continuous supply of services with no invoice or payment during a calendar year, an annual tax point arises (confirm the applicable regulation for the contract concerned before relying on it)
Intra-Community supply or acquisition	Earlier of the 15th day of the month following the month of dispatch and the date of the invoice
Importation	Date of importation, or the date the goods leave a duty-suspension regime
Vouchers	Single-purpose vouchers on each issue or transfer; multi-purpose vouchers on redemption

CAUTION

A deposit taken on signing a contract creates an immediate tax point for that amount, so developers and contractors account for VAT on stage payments as received, not when the work is certified; an accounting accrual or a pro-forma invoice neither creates nor defers a tax point.

● The taxable amount

The taxable amount is everything that constitutes the consideration obtained from the customer or a third party, excluding the VAT itself but including incidental charges recharged to the customer. Where the consideration is not wholly in money, for example an exchange of an apartment for land, each party makes its own supply and its taxable amount is the monetary value, normally the open market value, of what it receives; agree the valuation basis for property exchanges with the Tax Department. Goods on which input tax was recovered and which are given away or put to private use are a deemed supply at cost, except business gifts of €17.09 or less.

Related-party transactions. Where a supply between connected persons is made for less than open market value and the recipient does not have a full right of deduction, the Commissioner may substitute the open market value within three years of the supply (article 80(1)(a) of the Directive).

Prompt-payment discounts. Article 79(a) of the Directive excludes early-payment discounts from the taxable amount; the VAT Law has historically taken the discounted amount whether or not the discount is earned, so confirm current Tax Department practice. Where a 2% discount for payment within 14 days is taken on a €1,000 supply, VAT is 19% of €980 = €186.20; where it is not taken, the safer course is to account for VAT on the amount actually paid, adjusting by supplementary invoice or credit note.

● Content of a VAT invoice

A VAT invoice must be issued for every taxable supply to another taxable person within 30 days of the time of supply, or by the 15th day of the following month for intra-Community supplies and reverse-charge services (Regulation 12(1), K.D.P. 314/2001).

- ✓ Sequential invoice number, date of issue and, where different, the time of supply or payment date.
- ✓ Supplier's name, address and VAT number; customer's name and address, and VAT number for intra-Community and reverse-charge supplies.
- ✓ Description and, per line, quantity, unit price, VAT rate and net amount in euro; total excluding VAT and any cash discount.
- ✓ VAT amount per rate and total VAT, in euro; VAT representative's details where one is appointed.
- ✓ The references "reverse charge" (αντίστροφη χρέωση), "self-billing" (αυτοτιμολόγηση), "triangular transaction" (τριγωνική συναλλαγή) or the special scheme used, where applicable.

Other invoicing rules

Rule	Position in Cyprus
Simplified invoices and legal receipts	Simplified invoices are permitted for retail supplies of €85 or less; a legal receipt (date, serial number, supplier details, description, gross amount per rate) must be issued to non-taxable customers; failure attracts a penalty of 20% of the value of the supply
Credit notes	Issued within one month of discovering the error or agreeing the discount, marked "Credit Note", citing the original invoice and the reason
Currency	An invoice may be in a foreign currency but must show the VAT in euro; output tax, reverse-charge values and VIES entries are converted at the Customs monthly rate, intra-Community acquisitions at the ECB rate (Circular EE 189)
Self-billing and e-invoicing	Self-billing needs the Commissioner's prior approval and a signed written agreement, valid for 12 months unless extended; e-invoicing is permitted but not mandatory before ViDA applies to intra-Community supplies from 1 July 2030 (Chapter 11)
Records	VAT account, ledgers, customs and dispatch documents and call-off stock register: kept six years in the form issued or received and produced within five days of a request; penalty €341

05

Input VAT recovery and refunds

A taxable person may deduct the VAT charged on goods and services used for the purposes of its taxed transactions. The right is immediate and, in most cases, complete, but it is qualified by statutory blocks, by partial exemption where the business also makes exempt supplies, by the capital goods scheme and by documentary requirements.

6 years

Time limit to claim input tax or request a refund of a credit balance

€17,086

Capital goods scheme threshold; 5-year adjustment (10 years for property)

3.5%

Official interest rate for 2026, payable on refunds delayed beyond four months

30 Sept

Deadline for EU businesses to reclaim Cyprus VAT for the previous calendar year

• The right of deduction

Input tax is VAT charged on supplies of goods and services received in Cyprus, VAT paid on imports and VAT self-assessed on intra-Community acquisitions and reverse-charge services. It is deductible in the return for the period in which it was incurred, provided the business holds a valid VAT invoice in its own name, an import declaration with the Customs payment record or another document approved by the Commissioner. A claim may be made in a later return within six years. Input tax is deductible only to the extent the purchase is used for business purposes and for supplies carrying a right of deduction, and a purchase used partly for private purposes is apportioned.

Input tax on purchases used for taxable supplies at any rate, for supplies made outside Cyprus that would be taxable here, and for the exempt insurance and financial transactions of article 135(1)(a) – (f) of the Directive (insurance, credit, guarantees, accounts, currency and securities) supplied to customers established outside the EU or directly related to goods exported outside the EU (article 169(c); article 21(2)(c) of the VAT Law) is deductible in full. Article 169(c) is a specific rule: it does not automatically extend to fund management under article 135(1)(g), and a customer's foreign address is not by itself the test; advisory, administrative and IT services to a non-EU business are classified on their own facts and, where they are taxable services supplied abroad, recover under the "would be taxable here" rule. Input tax on other exempt supplies, on non-economic activities such as holding shares, and on private use is not deductible.

• Blocked input tax

Certain categories of expenditure are blocked even where the purchase is used for taxable business purposes. Information Leaflet 10 sets out the detail.

Items on which input tax is not recoverable

Item	Scope and exceptions
Saloon cars	Purchase, import, hire or lease of motor cars of up to nine seats, unless used for a qualifying purpose: resale, taxi or bus services, car hire or driving instruction. Input tax on fuel, repairs and maintenance is recoverable to the extent of business use
Business entertainment	Hospitality, accommodation and entertainment of persons other than employees and directors; entertainment of staff is recoverable unless incidental to entertaining others
Accommodation of directors	Domestic accommodation provided to directors and persons connected with them
Business gifts above €17.09	Recoverable, but output tax is due on the gift; gifts of €17.09 or less per person are outside the deemed supply rule
Margin-scheme goods	Goods bought under the second-hand goods, works of art, antiques or tour operators' margin schemes
Defective invoices	VAT incorrectly charged (for example on an exempt supply or a transfer of a going concern) and invoices not addressed to the taxable person

● Partial exemption

A business that makes both taxable and exempt supplies recovers input tax in three stages. Input tax directly attributable to taxable supplies is recovered in full; input tax directly attributable to exempt supplies is not recovered; and residual input tax on overheads is apportioned. The standard method apportions residual input tax by the ratio of the value of taxable supplies to the value of total supplies, excluding supplies of capital goods and incidental financial or property transactions. The standard method requires no approval, although confirming it by ruling is advisable, and a special method reflecting actual use may be used only with the prior approval of the Tax Department. A provisional recovery percentage is applied during the year and an annual adjustment is made in the return for the last period of the year.

WORKED EXAMPLE: PARTIAL EXEMPTION STANDARD METHOD

An insurance intermediary also provides taxable consultancy. In 2026 its taxable supplies are €800,000 and exempt insurance commissions are €200,000, so its recovery percentage is $800,000 / 1,000,000 = 80\%$. Its input tax for the year is €40,000 attributable to consultancy, €12,000 attributable to insurance (mainly broking software) and €20,000 on overheads such as rent, audit and IT.

Input tax pool	Input tax	Recoverable	Irrecoverable
Directly attributable to taxable supplies	€40,000	€40,000	€0
Directly attributable to exempt supplies	€12,000	€0	€12,000
Residual overheads at 80%	€20,000	€16,000	€4,000
Total	€72,000	€56,000	€16,000

Had the exempt commissions been earned from insurers established outside the EU, the €12,000 and the exempt share of overheads would have been recoverable under article 169(c), provided the services fall within the insurance exemption and the insurers' establishment outside the EU is evidenced.

● The capital goods scheme

Input tax on capital items is recovered in the year of acquisition according to the recovery position in that year, and then adjusted annually if the taxable use of the item changes during the adjustment period. The scheme applies to tangible fixed assets and to intangible assets such as trademarks, patents, licences and goodwill with more than one use and a value of €17,086 or more (Circulars EE 107 and EE 170), to the transfer of all or part of a building including the land before first occupation, and to buildings constructed by a taxable person on land it does not own. Repairs, maintenance and services are outside the scheme.

Adjustment periods

Asset	Adjustment period	Annual fraction
Movable capital goods and intangible assets of €17,086 or more	5 years	1/5
Immovable property and building works	10 years	1/10

WORKED EXAMPLE: CAPITAL GOODS ADJUSTMENT ON A BUILDING

A company buys new offices in 2026 for €1,000,000 plus €190,000 VAT. Its recovery percentage for 2026 is 80%, so it recovers €152,000. In 2028 its exempt activity grows and the percentage falls to 60%. The adjustment for 2028 is $€190,000 / 10 \times (60\% - 80\%) = -€3,800$, repayable in the last return of 2028. If the percentage later rises to 90%, the company recovers an additional $€190,000 / 10 \times (90\% - 80\%) = €1,900$ for that year. A sale of the building within the ten years triggers a single adjustment for the remaining years.

● Pre-registration VAT

A newly registered business may recover in its first return VAT incurred before its effective date on goods acquired within the previous three years and still on hand, and on services received within the previous six months (Circular EE 114). On deregistration, output tax is due on stock and assets on hand on which input tax was recovered.

● Bad debt relief

Output tax is payable by reference to the tax point regardless of whether the customer pays. Where the debt proves irrecoverable, the supplier may reclaim the VAT in its return as additional input tax (Information Leaflet 14; Circular 234) provided that:

- ✓ the VAT on the supply was accounted for and paid to the Tax Department;
- ✓ the consideration has been written off in the supplier's accounts as a bad debt;
- ✓ at least 12 months have elapsed from the tax point;
- ✓ all reasonable steps have been taken to recover the debt;
- ✓ the claim is made within four years of the later of the due date for payment and the date of supply; and
- ✓ where the customer is a taxable person, the customer is notified within seven days of the claim, so that it reverses the input tax it deducted.

● Refunds of a credit balance

Where input tax exceeds output tax the credit is carried forward automatically. A refund may be requested through TFA, quarter by quarter, and is payable where the credit relates to zero-rated supplies, supplies made outside Cyprus with a right of deduction, exempt financial and insurance services to non-EU customers, the acquisition of fixed assets or the taxable supplies of the business generally; where four months have elapsed since the VAT became refundable; or where the credit could not be absorbed by output tax by the last period of the following year. Refunds are paid by bank transfer to the account notified on Form T.D. 2008 with an IBAN certificate.

A refund request must be made within six years of the end of the VAT period in which the credit arose. Interest at the official rate (3.5% for 2026; 5.5% for 2025) runs from the first day of the fifth month after the refund application, or the ninth month where the Commissioner opens an enquiry, until the refund is processed. Since 20 August 2020 the Commissioner may withhold a refund and its interest while the taxpayer's income tax returns (T.D. 4, T.D. 1) or employer's return (T.D. 7) are outstanding, and no interest accrues during the suspension. Businesses in permanent repayment, such as exporters and ship managers, may apply for monthly return periods.

● Refunds to businesses not registered in Cyprus

A business neither established nor registered in Cyprus that makes no supplies here other than reverse-charged supplies and transport services may recover Cyprus VAT on its costs under one of two procedures, both subject to the same blocks as Cyprus businesses (saloon cars, entertainment) and neither covering goods or services used to make supplies in Cyprus. A Cyprus business reclaims VAT incurred in other Member States by the same EU procedure, through TFA by 30 September of the following year.

Refunds to EU and non-EU businesses

Feature	EU businesses (Directive 2008/9/EC)	Non-EU businesses (13th Directive, 86/560/EEC)
How to apply	Through the portal of the Member State of establishment, which forwards the claim to Cyprus	Form VAT 109 to the Commissioner of Tax (VAT Headquarters, 1471 Nicosia) with original invoices, import documents and a taxable-status certificate valid for 12 months
Eligibility	Any taxable person established in another Member State	Businesses established in a country granting reciprocal refunds (Switzerland, the United Kingdom, Norway, Israel) and not established or registered anywhere in the EU
Claim period	Minimum three months, maximum one calendar year	Minimum three months, maximum the prescribed year from 1 July to 30 June
Minimum claim	€400 for a period of less than a year; €50 for a calendar year or its remainder	€205.03 for a period of less than a year; €25.63 for a full prescribed year or its final part
Deadline	30 September of the year following the refund period	31 December following the end of the prescribed year (six months)
Decision and interest	Within four months (six or eight where further information is requested); payment within ten working days of approval, with interest if paid later	Examined and paid by bank transfer, without interest; refusal must be reasoned in writing

06

Goods: domestic supplies, intra-EU trade, imports and exports

For goods, the questions are where the goods are, where they go, who moves them and who the customer is. The single market replaced imports and exports between Member States with intra-Community supplies and acquisitions, while trade with the rest of the world still passes through customs. Cyprus, as an island, generally has clear evidence of movement, but the documentary conditions are strict.

● Place of supply of goods

Basic place-of-supply rules for goods

Situation	Place of supply
Goods not dispatched or transported	Where the goods are located when the supply takes place
Goods dispatched or transported by the supplier, the customer or a third party	Where the goods are located when the dispatch or transport to the customer begins
Goods installed or assembled by or for the supplier	Where the installation or assembly takes place
Intra-Community acquisition	Where the goods are when the transport ends; also, provisionally, the Member State that issued the VAT number used by the acquirer, unless the acquirer shows VAT was accounted for in the Member State of arrival
Intra-EU distance sales to consumers above €10,000	Where the goods are when the transport to the customer ends (Chapter 08)
Importation	The Member State where the goods enter the EU, or where they leave a suspension regime

Source: VAT Law 95(I)/2000, article 10 and Third Schedule; Directive 2006/112/EC, articles 31 – 39.

● Intra-Community supplies from Cyprus

A supply of goods dispatched from Cyprus to a taxable person in another Member State is zero-rated. Since the 2020 "Quick Fixes" (Directive (EU) 2018/1910), two conditions are substantive, not merely formal: the customer must have given the supplier a valid VAT number issued by a Member State other than Cyprus, and the supplier must report the supply correctly in its VIES statement. A missing or invalid number, or an omission from VIES that the supplier cannot justify, means the supply is taxable at 19% in Cyprus.

Article 45a of Implementing Regulation (EU) 282/2011 creates a rebuttable presumption of transport where the supplier holds two non-contradictory items of evidence issued by parties independent of each other and of the supplier and customer, at least one being a transport document (signed CMR note, bill of lading, air freight or carrier's invoice); the other may be a transport insurance policy, bank evidence of payment for transport, an official confirmation of arrival or a warehouse-keeper's receipt in the destination state. Where the customer arranges transport the presumption also needs the customer's written statement, provided by the 10th day of the following month, confirming the destination, date, means of transport and carrier. The presumption is not a condition of the zero rate: a supplier without the article 45a package may still establish the transport to the satisfaction of the Tax Department by other evidence (invoice, purchase order, dated VIES validation, delivery confirmations, correspondence), and the Tax Department may rebut the presumption where it holds evidence that the goods were not dispatched. The customer's VAT number and the VIES statement remain separate, substantive conditions whatever the transport evidence.

● Intra-Community acquisitions into Cyprus

A Cyprus taxable person that buys goods from a VAT-registered supplier in another Member State and has them delivered to Cyprus receives a zero-rated invoice quoting its CY number and accounts for acquisition VAT at the Cyprus rate applicable to the goods. The VAT is declared as output tax and, to the extent the goods are used for supplies with a right of deduction, deducted as input tax in the same return, so a fully taxable business has no cash cost while a partly exempt business, bank or school pays the irrecoverable part. Goods subject to excise duty (alcohol, tobacco, energy products) are always taxed in the Member State of destination and the excise duty is included in the taxable amount.

WORKED EXAMPLE: ACQUISITION ACCOUNTING

A Nicosia manufacturer buys a machine from a German supplier for €50,000, delivered in March 2026; the German invoice shows no VAT and both parties' VAT numbers. In its return for the quarter the manufacturer declares €9,500 acquisition VAT as output tax and €9,500 as input tax; net VAT payable is nil. It reports the arrival in Intrastat if its annual arrivals exceed €380,000 and applies the capital goods scheme to the machine for five years. Had the buyer been a private hospital making only exempt supplies, the €9,500 would have been payable in full and the hospital would have had to register for acquisitions once its purchases exceeded €10,251.61 in the calendar year.

● Transfers of own goods

Moving a business's own goods from Cyprus to another Member State, for example to a warehouse or branch, is a deemed intra-Community supply in Cyprus and a deemed acquisition in the state of arrival, which normally requires registration there. Temporary movements are excluded: goods sent for installation, goods sold under the distance-selling rules, goods in transit to a third country or another Member State, goods sent for processing or repair and returned, goods used temporarily to perform a service there, and goods used for under two years where duty relief would apply on import.

● Simplifications: call-off stock, consignment stock and triangulation

Stock and chain simplifications available in Cyprus

Arrangement	Treatment	Conditions
Call-off stock (Quick Fix, from 1 January 2020)	The transfer of stock to a known customer in another Member State is not a deemed supply; the intra-Community supply and acquisition arise when the customer calls off the goods. The supplier need not register in the destination state (Information Leaflet 17A)	Supplier not established in the destination state; customer VAT-registered there and identified at the time of transfer; both parties keep a call-off stock register; the movement is reported in VIES; goods called off or returned within 12 months. Under ViDA no new transfers may be made under the simplification from 1 July 2028; stock transferred before that date runs off under the existing rules until called off or returned, and the regime closes on 30 June 2029. The transfer date, not the later call-off, decides which rules apply
Consignment stock	No simplification. A foreign supplier placing stock in Cyprus under its own control must register here, account for a deemed acquisition and charge Cyprus VAT on the eventual domestic sale	Between two Cyprus parties, the supply arises when the goods are taken from stock, and at the latest 12 months after transfer
Triangulation (article 12E)	Where A in Member State 1 sells to B in Member State 2, who sells to C in Member State 3, and the goods go directly from A to C, B may avoid registering in Member State 3 by designating C as liable for the VAT on B's supply. B's invoice is marked "triangular transaction" and the sale is flagged in VIES (Circulars EE 88 and EE 88A)	Three parties registered in three different Member States; transport arranged by A or B, not by C; B not registered or established in Member State 3. Under the Tax Department's interpretation B must also not be registered in Member State 1
Chain transactions (Quick Fix)	Where goods are sold several times but transported once, only one supply is the zero-rated intra-Community supply. Transport is ascribed to the supply to the intermediary operator, unless the intermediary gives its supplier a VAT number of the Member State of dispatch, in which case it is ascribed to the intermediary's own supply	The intermediary operator is a supplier in the chain, other than the first, who arranges the transport
Transfer of a going concern	Outside the scope of VAT: the transferor charges no VAT and the transferee deducts none, even if VAT was charged in error. Form VAT 103 allows the transferor's VAT rights and obligations to pass to the transferee	All or an autonomous part of a business is transferred; the transferee is or becomes registered; the same kind of business continues without significant interruption and without successive transfers

● New means of transport

Boats over 7.5 metres, aircraft over 1,550 kg and motor vehicles over 48 cc or 7.2 kW are "new" for six months from first use or until 6,000 km (vehicles), or three months or 100 sailing hours (boats) or 40 flying hours (aircraft). A new means of transport is always taxed in the Member State of destination whatever the status of buyer and seller: a private individual bringing a new car or yacht to Cyprus from another Member State pays Cyprus VAT, and a Cyprus dealer delivering a new vehicle to another Member State zero-rates the sale even to a private buyer.

● Imports from outside the EU

Import VAT is chargeable on goods entering Cyprus from outside the EU customs territory, whether the importer is a business or a private person and whether or not there is a sale. It is paid to Customs with any customs duty when the goods are released for free circulation, and a registered importer deducts it as input tax in its next return on the strength of the customs declaration. Cyprus has no general postponed accounting for import VAT, although the Commissioner may grant a 30-day deferral against a bank guarantee (K.D.P. 329/2005); relief applies to personal belongings on transfer of residence, commercial samples and certain goods for charities, and other reliefs are listed below.

Import VAT reliefs and deferrals

Situation	Treatment
Import followed by an intra-Community supply (customs procedure 42)	Import VAT exempt where the importer is a taxable person and the goods are dispatched to a taxable customer in another Member State within one month of arrival; the Commissioner may require a bank guarantee up to the VAT that would have been due
Business aircraft and pleasure yachts imported by a taxable person for business use; gas and electricity through networks	Import VAT accounted for by self-billing in the return rather than paid at the border; a guarantee may be requested
Customs and VAT warehousing	Duty and VAT suspended while goods remain in a bonded warehouse, tax warehouse (excise goods) or VAT warehouse (articles 13A – 13E); supplies of goods within the warehouse and the warehouse-keeper's storage and handling services are zero-rated; VAT is chargeable on removal unless it is an export or an authorised temporary removal for processing
Low-value consignments up to €150 sold to consumers	Import VAT collected through IOSS at the point of sale or by the postal operator or courier under the special arrangements; the €22 VAT exemption ended on 1 July 2021. Customs duty is separate: the €150 duty exemption ended on 1 July 2026 and an interim flat duty of €3 per item applies (Chapter 08)

● Exports and customs

A supply of goods dispatched to a destination outside the EU is zero-rated, as are services directly related to the export. The supplier must hold the export declaration validated by Customs showing it as exporter, with the invoice, transport document and evidence of payment. A supply to a customer in another Member State who then exports the goods is not an export from Cyprus. Customs duty depends on classification under the Combined Nomenclature, origin (preferential origin under the EU's free trade agreements, including with the United Kingdom, must be evidenced) and customs value, the transaction value adjusted for commissions, transport and insurance to the EU border and royalties. Authorised Economic Operator status, granted by Cyprus Customs and valid EU-wide, gives access to simplified procedures; excise duties on energy products, alcohol and tobacco are charged under the Excise Duties Law 91(I)/2004 in addition to VAT.

07

Services: place of supply and the reverse charge

Services are taxed where the law deems them to be supplied, and that place depends first on whether the customer is a business or a consumer and then on the nature of the service. Where the place of supply is Cyprus and the supplier is abroad, the Cyprus business customer accounts for the VAT itself under the reverse charge.

• The two general rules

Business-to-business (B2B) services are supplied where the customer is established, or at the fixed establishment of the customer to which the service is provided. The supplier does not charge VAT to a customer in another Member State or outside the EU; the customer self-accounts under the reverse charge in its own country. A Cyprus supplier must verify the customer's status, normally by validating its VAT number in VIES, and must report B2B services to EU customers in its monthly VIES statement.

Business-to-consumer (B2C) services are supplied where the supplier is established. A Cyprus consultant advising a private individual in France charges Cyprus VAT at 19%. The general B2C rule is displaced for a long list of services, most importantly telecommunications, broadcasting and electronically supplied services and the "intangible" services supplied to consumers outside the EU. A customer that carries on both economic and non-economic activities, such as a charity or a mixed holding company, is treated as a taxable person for all services it receives for its business, but a pure holding company is a consumer.

Exceptions to the general rules

Service	Place of supply	Applies to
Services connected with immovable property: architects, surveyors, estate agents, construction, hotel accommodation, property management, rights to use property	Where the property is located	B2B and B2C
Passenger transport	Where the transport takes place, in proportion to distances covered; international passenger transport is zero-rated in Cyprus	B2B and B2C

Service	Place of supply	Applies to
Admission to cultural, artistic, sporting, scientific, educational and entertainment events, and ancillary services	Where the event physically takes place. From 1 January 2025 virtual attendance is not "admission": B2B follows the general rule and B2C is taxed where the consumer resides	B2B (physical admission) and B2C
Restaurant and catering services	Where physically performed; on board ships, aircraft and trains within the EU, the point of departure	B2B and B2C
Short-term hire of means of transport (30 days; 90 days for vessels)	Where the vehicle or vessel is put at the customer's disposal	B2B and B2C
Long-term hire of means of transport to consumers	Where the customer resides; for pleasure boats, where the boat is put at the customer's disposal if the supplier is established there	B2C
Services and ancillary services relating to cultural, artistic, sporting, scientific, educational and entertainment activities (other than admission), including events streamed or made available virtually	Where the activity takes place; virtual events from 1 January 2025 where the consumer resides	B2C
Intra-Community transport of goods; ancillary transport services, valuations and work on goods; intermediaries	Where the transport begins; where physically performed; where the underlying transaction is supplied	B2C
Telecommunications, broadcasting and electronically supplied services	Where the consumer resides, subject to the €10,000 EU threshold (Chapter 08)	B2C
"Intangible" services to consumers outside the EU: consultants, lawyers, accountants, engineers, advertising, transfers of IP, banking and insurance, supply of staff, hire of goods other than means of transport, access to gas and electricity networks	Where the customer resides (outside the EU); no Cyprus VAT	B2C

Source: VAT Law 95(I)/2000, article 10A and Thirteenth Schedule; Directive 2006/112/EC, articles 44 – 59a; Implementing Regulation (EU) 282/2011.

● Use and enjoyment

To prevent non-taxation or double taxation, the Thirteenth Schedule shifts the place of supply of certain services to where they are effectively used and enjoyed. Where a listed service would be supplied in Cyprus but is used and enjoyed outside the EU, it is treated as supplied outside the EU; where it would be supplied outside the EU but is used and enjoyed in Cyprus, it is taxed here. The listed services are the hiring of means of transport (short-term and long-term), the hire of other movable goods, telecommunications and broadcasting, the transport of goods other than intra-Community transport (B2B), electronically supplied services (B2B), and, for the inbound direction only, electronically supplied services to consumers. A non-EU supplier caught by the rule for consumer supplies may need to register in Cyprus.

● The reverse charge on services received from abroad

Where a service with a Cyprus place of supply is received by a Cyprus taxable person from a supplier established outside Cyprus, and the service is neither exempt nor zero-rated, the recipient accounts for output tax as if it had made the supply itself (article 11 of the VAT Law). The recipient then deducts the same amount as input tax to the extent it has a right of deduction. The mechanism is compulsory, applies whether the supplier is in the EU or outside it, and applies even where the supplier is registered in Cyprus if the supplier has no establishment here. Reverse-charge services count towards the €15,600 registration threshold, so an unregistered Cyprus business that buys foreign services must monitor the value of those purchases.

WORKED EXAMPLE: REVERSE CHARGE ACCOUNTING ENTRIES

A Cyprus fund administrator (fully taxable) buys €10,000 of legal advice from a London firm in the quarter to 31 March 2026. It converts the invoice at the Customs rate and records:

Entry	Debit	Credit	Return box
Legal fees expense	€10,000		Purchases excluding VAT; value of services received from abroad
Trade creditor (London firm)		€10,000	—
Input VAT (reverse charge)	€1,900		Input tax
Output VAT (reverse charge)		€1,900	Output tax

Net VAT payable is nil, but both figures must appear in the return; omitting them attracts a penalty of €200 per return (maximum €4,000). If 40% of the administrator's costs relate to exempt fund management, it recovers only €1,140 and bears a cost of €760; a bank receiving €120,000 of foreign IT consultancy for its exempt lending business pays €22,800 with no recovery.

● Domestic reverse charges

Cyprus has used the options in articles 194, 199 and 199a of the Directive to shift the liability to the customer for a list of domestic transactions vulnerable to fraud or non-payment. In each case the supplier issues an invoice without VAT marked "reverse charge", and the taxable customer accounts for output tax and deducts it subject to its recovery position. There is no de minimis threshold for the transactions themselves, although the customer must be, or be liable to be, registered.

Domestic reverse-charge provisions

Article	Transactions	Scope and effective date
11	Services and goods supplied by non-established suppliers	All services not covered by the general rule, and goods with installation, supplied by a person not established or registered in Cyprus to a Cyprus-registered customer
11B	Construction services	Construction, alteration, demolition, repair and maintenance of buildings and civil engineering works, and services supplied with goods, to a taxable person for its business, from 21 March 2012. Services of developers, contractors, architects, civil engineers and quantity surveyors are within the provision where they form part of such works on a building or civil engineering project; stand-alone advisory, design or certification work not connected with the execution of the works is not automatically covered and should be tested against the Tax Department's circulars for the particular service. From 20 August 2020 the customer must self-account even where the supplier is not a taxable person (Circulars EE 164, 165, 166, 169, 174 and 184)
11C	Scrap metal and waste	Domestic supplies of scrap and used metals to a taxable person holding the relevant economic activity code, from 11 October 2013 (Circular EE 179)
11D	Immovable property in loan restructuring	Transfers of new buildings and building land subject to VAT from a borrower to a lender in a loan restructuring or a forced transfer, from 2 January 2018; "lender" includes licensed credit and financial institutions, credit-acquiring companies and their subsidiaries and public bodies that acquired non-performing loans (from 5 December 2019). The provision is time-limited and periodically renewed; its status should be checked for each transaction
11E	Electronic devices	Mobile phones and other network devices, microprocessors and CPUs before integration into end products, games consoles, tablets and laptops, from 1 October 2020 (Implementing Order 1 of 29 September 2020)
11F	Precious metals	Raw and semi-processed precious metals, from 7 October 2022

Source: VAT Law 95(I)/2000, articles 11 – 11F and 12A; registration threshold of €15,600 applies to the recipient for each provision.

CAUTION: CONSTRUCTION CONTRACTS

Article 11B applies to the whole construction supply chain: a developer receiving services from a main contractor, the contractor receiving services from subcontractors and an unregistered tradesman supplying a registered business. It does not apply to supplies to private individuals or to non-business customers, who must be charged VAT at 19% (or 5% for qualifying renovation). Coding every subcontractor invoice as reverse charge, or none of them, is a common audit finding; the status of each customer decides.

● Evidence of customer status

Validate the EU customer's VAT number in VIES at the time of supply and keep the dated validation; obtain equivalent evidence for non-EU customers; identify which establishment actually receives the service (a service contracted by a UK head office but consumed by its Cyprus branch is supplied in Cyprus); treat a supply for a customer's private use as B2C even if it holds a VAT number; and treat a foreign supplier's invoice showing no VAT as a prompt to self-account, not as evidence that no VAT is due.

08

Digital services, e-commerce, OSS, IOSS and the SME scheme

Since 1 July 2021 the EU taxes cross-border sales to consumers in the country of consumption, whether of goods, digital services or low-value parcels from outside the EU. The One Stop Shop schemes let a business declare that foreign VAT through a single Cyprus registration, marketplaces are made liable for VAT on certain sales they facilitate, and since 2025 the cross-border SME scheme lets small businesses use other Member States' exemptions.

€10,000

EU-wide threshold for B2C distance sales of goods and TBE services

€150

Maximum intrinsic value of an imported consignment for IOSS

Quarterly

OSS return, due by the end of the month following the quarter

Monthly

IOSS return, due by the end of the following month

● Telecommunications, broadcasting and electronically supplied services

Electronically supplied services are delivered over a network and essentially automated with minimal human intervention: hosting, software, streamed or downloaded content, e-books, online advertising, automated distance learning and database subscriptions. Live tuition over video, bespoke consultancy delivered as a PDF and professional advice are ordinary services under the general rules, although since 1 January 2025 live-streamed and virtual events supplied to consumers are also taxed where the consumer resides.

Supplies of TBE services to consumers are taxed where the consumer usually resides, and the supplier must retain evidence of that location with the transaction: billing address, IP address, bank or card details, SIM country code or other commercially relevant information.

● The €10,000 threshold

A supplier established in only one Member State whose total cross-border B2C sales of goods within the EU and TBE services to consumers in other Member States did not exceed €10,000 (excluding VAT) in the previous calendar year and do not exceed it in the current year may treat those supplies as made in its own Member State and charge its own rate. The threshold is a single EU-wide figure covering both goods and TBE services together; it is not €10,000 per country, and it does not apply to other B2C services or to businesses established in more than one Member State. The supplier may opt for destination taxation from the outset, and the option binds it for two calendar years. Once the threshold is crossed, the supply that crosses it and all later supplies are taxed at destination.

A Cyprus course provider that sold €8,000 of automated courses to consumers elsewhere in the EU in 2025 and whose 2026 sales reach €10,300 with a €500 sale to Spain on 5 October must charge Spanish VAT at 21% on that sale and destination VAT on all later cross-border consumer sales, registering for the Union OSS from that quarter; sales up to 30 September remain subject to Cyprus VAT.

● Intra-EU distance sales of goods

An intra-EU distance sale is a supply of goods dispatched by or on behalf of the supplier from one Member State to a consumer (or a non-taxable legal person or exempt business below its acquisitions threshold) in another. Above the €10,000 threshold the place of supply is where the transport ends. Excise goods are always taxed at destination; new means of transport, installed goods and margin-scheme goods are excluded. The Union OSS covers only cross-border supplies: a supplier holding stock in a fulfilment centre in another Member State must register there for the transfer of its own goods and for the domestic sales it makes from that stock to customers in the same state, which are declared in the local return, while sales dispatched from that stock to consumers in other Member States are distance sales that may be declared through OSS (until the ViDA changes of July 2028, Chapter 11).

● The One Stop Shop

The three special schemes

Scheme	Who may use it	What it covers	Return and payment
Union scheme	Businesses established in the EU; non-EU businesses for intra-EU distance sales of goods; deemed suppliers	Intra-EU distance sales of goods; all B2C services with a place of supply in a Member State where the supplier is not established; certain domestic supplies by deemed suppliers	Quarterly, by the end of the month following the quarter; payment to the Cyprus Tax Department, which distributes it
Non-Union scheme	Businesses with no establishment in the EU	All B2C services with a place of supply in the EU	Quarterly, by the end of the month following the quarter
Import scheme (IOSS)	EU and non-EU suppliers and deemed suppliers; non-EU suppliers normally through an EU-established intermediary	Distance sales of goods imported from outside the EU in consignments of intrinsic value not exceeding €150, other than excise goods	Monthly, by the end of the following month

Registration in Cyprus is made online through the OSS portal of the Tax Department. Source: Directive 2006/112/EC, articles 358a – 369zc; VAT Law 95(I)/2000 as amended by the December 2021 regulations with effect from 1 July 2021.

OSS is optional, but once registered a business must declare all supplies within the scheme through it. The scheme changes only where VAT is declared: the rate is always that of the Member State of consumption. Input VAT incurred in other Member States cannot be deducted in an OSS return and is reclaimed through the refund procedure in Chapter 05.

The OSS return is separate from the Cyprus VAT return, which continues to report domestic supplies, acquisitions, reverse-charge services and the value of OSS supplies as outside-scope turnover. OSS records must be kept for ten years, corrections are made in a later return identifying the period and Member State corrected, and persistent non-compliance leads to exclusion from all three schemes for two years.

WORKED EXAMPLE: A UNION OSS RETURN

A Cyprus e-shop ships goods from its Larnaca warehouse to consumers across the EU. In the quarter to 30 June 2026 its sales excluding VAT are €50,000 to Germany, €30,000 to France and €20,000 to Italy. Its OSS return for Q2 2026, due by 31 July 2026, shows:

Member State of consumption	Taxable amount	Rate	VAT due
Germany	€50,000	19%	€9,500
France	€30,000	20%	€6,000
Italy	€20,000	22%	€4,400
Total payable to the Cyprus Tax Department	€100,000		€19,900

The Cyprus return for the quarter shows the €100,000 as outside-scope supplies with a right of deduction, so input tax on the goods and the warehouse remains recoverable in Cyprus; goods that are reduced-rated in the destination country (books at 7% in Germany) take that rate.

● Imports of low-value goods and IOSS

Since 1 July 2021 all commercial goods imported into the EU are subject to VAT regardless of value. For consignments of intrinsic value not exceeding €150, the seller may register for IOSS, charge the customer the VAT of the destination country at the point of sale and declare it monthly; the importation is then exempt and the parcel clears customs without a VAT demand to the customer. Where IOSS is not used, the postal operator or courier may collect the import VAT from the customer under the special arrangements and pay it monthly, or the goods are imported under the normal procedure. Consignments above €150 always follow the normal import procedure, with customs duty at the tariff rate as well as VAT.

Customs duty is a separate charge from VAT and IOSS does not remove it. Until 30 June 2026 consignments of intrinsic value up to €150 were exempt from customs duty; from 1 July 2026 that exemption has ended and an interim flat customs duty of €3 per item applies to such consignments (Council decisions of 12 December 2025 and 11 February 2026), pending the full EU customs reform expected in 2028. The duty is collected on import by the carrier, postal operator or other declarant, together with any handling fee, unless the seller has arranged to bear it; it is not declared in the IOSS return, which covers VAT only.

WORKED EXAMPLE: A €100 JACKET SOLD THROUGH IOSS AFTER 1 JULY 2026

A UK retailer registered for IOSS sells a jacket with an intrinsic value of €100 to a Limassol consumer on delivered-duty-unpaid terms. At checkout it charges Cyprus VAT of $19\% \times €100 = \text{€}19$, so the customer pays €119; the retailer quotes its IOSS number on the customs data and declares the €19 in its monthly IOSS return, and the importation is exempt from VAT. Customs duty is not covered: on delivery the customer pays the interim flat duty of €3 plus the courier's handling fee, so the total cost is €122 before that fee. Had the retailer sold on delivered-duty-paid terms, the €3 would be built into its price and paid through its carrier as declarant, and the customer would pay nothing on delivery; the retailer's terms of sale should say which applies. The same jacket sold for €160 exceeds the €150 ceiling: IOSS is not available, and the customer pays import VAT at 19% and customs duty at the tariff rate for the goods on the duty-inclusive value, plus the handling fee, to the courier on delivery.

● **Electronic interfaces as deemed suppliers**

A marketplace that facilitates certain B2C sales of goods is deemed to have bought the goods from the seller and sold them to the customer: the seller makes an exempt B2B supply with a right of deduction and the platform accounts for the B2C VAT, usually through OSS or IOSS. The rule applies only to distance sales of goods imported from outside the EU in consignments not exceeding €150, whatever the seller's location, and to sales of goods within the EU by a seller not established in the EU. It does not apply to services or to sales by EU-established sellers of goods already in the EU. A platform's commissions and fees charged from abroad are reverse-charge services in the seller's Cyprus return, and stock moved between fulfilment centres in different Member States creates registration obligations there.

● **Platform and payment reporting: DAC7 and CESOP**

Platform operators report their sellers' income annually under DAC7 (Directive (EU) 2021/514): the first reporting period was the calendar year 2023, with the first reports due by 31 January 2024, and each subsequent year is reported by 31 January following. Separately, payment service providers have reported cross-border payment data quarterly to the central CESOP database (Directive (EU) 2020/284) for payments from 1 January 2024. Neither changes the VAT liability, but a Cyprus seller's platform and card receipts are visible to the Tax Department and declared turnover must reconcile to them.

● **The EU cross-border SME scheme**

From 1 January 2025 a small business established in one Member State may use the small-business VAT exemption of other Member States, subject to an EU-wide turnover ceiling of €100,000 and the national threshold of each state. Before 2025 the exemption was available only in the state of establishment, so a Cyprus micro-business selling in Greece had to register there from the first sale.

How the scheme works

Directive (EU) 2020/285 amended the VAT Directive to allow Member States to extend their domestic small-business exemption to businesses established elsewhere in the EU. Cyprus has implemented the scheme: a taxable person established in another Member State that makes supplies in Cyprus may opt not to register here provided its annual turnover in Cyprus does not exceed €15,600 and its total annual turnover across the EU does not exceed €100,000, by following the notification procedure in its home state. Symmetrically, a Cyprus-established business may claim exemption in other Member States that offer it, within their national thresholds.

The two conditions and where they are tested

Condition	Measure	Consequence of breach
Union threshold	Total annual turnover in all Member States, including the home state, not exceeding €100,000 in the previous calendar year and the current year	The exemption ceases in every other Member State immediately, from the supply that crosses the ceiling; no grace period

Condition	Measure	Consequence of breach
National threshold of the Member State of exemption	Turnover in that state not exceeding its domestic small-enterprise exemption threshold, which is distinct from any registration obligation: for example €15,600 in Cyprus, €35,000 in Malta, €40,000 in Estonia, €25,000 in Germany (Kleinunternehmer), €20,000 in the Netherlands (KOR), €25,000 in Belgium, €85,000 for goods and €37,500 for services in France, and €10,000 in Greece. Spain has no domestic exemption and had not transposed the cross-border scheme at the review date, so no exemption is available there. Chapter 12 tabulates all 27 states	The exemption ceases in that state, either immediately or after a transitional tolerance where the state allows one; the business must register there

Procedure for a Cyprus business

- 01 Prior notification and identification.** The business notifies the Cyprus Tax Department of the Member States in which it wishes to use the exemption and its turnover in each for the previous and current years; Cyprus verifies the Union threshold and issues an identification number with the suffix "EX". The exemption applies from the date the number is communicated, not from the application.
- 02 Quarterly reports.** The business reports to Cyprus, within one month of the end of each calendar quarter, its turnover in every Member State, including states where it does not use the exemption. The report replaces local registration and returns in the states of exemption.
- 03 Monitoring and cessation.** The business tracks the Union ceiling and each national threshold, notifies Cyprus within 15 working days if the €100,000 ceiling is exceeded, and may leave the scheme by notification; exclusion follows automatically on breach of a threshold or of the reporting obligations.

Consequences and trade-offs

Exempt supplies are made without VAT and without input tax deduction in the Member State of exemption, with no local invoices or returns; in Cyprus the business remains a taxable person in the ordinary way. The scheme suits consumer-facing micro-businesses with few purchases and is less attractive where costs are significant, customers are VAT-registered or turnover is close to the €100,000 ceiling. The EU ceiling does not replace the Cyprus threshold of €15,600, and non-EU businesses cannot use the scheme.

09

Immovable property and construction

Property is the area of Cyprus VAT with the most special rules and the largest sums at stake. New buildings and building land are taxable at 19%, used buildings and residential letting are exempt, commercial leases are taxable unless the landlord opts out, a qualifying main residence attracts 5%, and the construction supply chain runs on the reverse charge. Two amendments effective 1 September 2026 redefine "first occupation".

5%

On the first 130 m² of a main residence, up to €350,000 of value

190 m² / €475,000

Total area and value above which no 5% relief applies

18 months

Systematic use that constitutes "first occupation" from 1 September 2026

10 years

Period of use as main residence; capital goods adjustment period for property

● Sale of buildings

The supply of a building, or part of one, together with the land on which it stands is taxable at 19% when supplied before its first occupation and exempt thereafter; buildings for which the planning or building permit application was filed before 1 May 2004 are exempt in all cases. The definition of "first occupation" changes on 1 September 2026.

Taxable supplies of buildings: the rule before and after 1 September 2026

Element	Eighth Schedule to 31 August 2026	Eighth Schedule from 1 September 2026 (R.A.A. 103/2026 of 27 February 2026)
Taxable supplies	Supply of a building before its first delivery, and any subsequent supply within five years of completion provided there has been no actual use by an unrelated person for at least 24 months	Transfer of buildings or parts of buildings with the land, and transfer of possession by contract of sale, agreement for future transfer with the land or lease with an option to purchase, before first occupation
Key definitions	"Completion": the building can be put to its intended use. "Actual use": use on a systematic basis. "Related person": paragraph 1(4) of the Fourth Schedule	"First occupation": the first use of the building after delivery or construction, including owner-occupation, self-use, leasing or any other systematic use. "First use": use or exploitation carried out systematically for at least 18 months

CAUTION: CONTRACTS STRADDLING 1 SEPTEMBER 2026

Under the old rule a completed building could be sold VAT-free after five years, or earlier after two years' use by an unrelated party; under the new rule it remains taxable until 18 months of systematic use. A developer holding completed but unsold units let for less than 18 months should assume they remain taxable at 19% after 1 September 2026; a purchaser of a "used" building should obtain evidence of 18 months' use; deposits received before 1 September 2026 fall under the old rules for the amount received.

● Building land

Since 2 January 2018 the transfer of non-developed building land, meaning land intended for the construction of one or more structures, is subject to VAT at 19% when supplied in the course of a business activity (Circular EE 219), covering transfers of ownership and undivided shares, agreements for sale or future transfer and leases with an option to purchase. Land in livestock zones and in areas not intended for development (environmental protection, archaeological and agricultural zones) is outside the charge, as is land sold by a private individual not carrying on a business. Whether a private landowner selling several plots is carrying on a business is a question of fact to examine before a sale.

● Leasing of immovable property

The leasing and letting of immovable property is exempt, with two exceptions. First, since 13 November 2017, the lease of commercial property to a taxable person who uses it for taxable business activities (exempt supplies of no more than 10% of turnover) is subject to VAT at 19% for leases beginning on or after that date (Circular EE 220). The landlord may opt not to impose VAT on a specific property; the option is irrevocable while the landlord owns it and lapses on a change of ownership. Second, since 1 January 2019, a long-term lease (15 years or more, registered with the Land Registry) that effectively transfers the risks and rewards of ownership is treated as a supply of goods and is taxable at 19%, or 5% for a qualifying main residence, if granted before first occupation (Circular EE 229).

Circular 2/2025 (24 March 2025) and the Notification of 16 January 2026 allowed landlords to make the irrevocable option for leases concluded after 13 November 2017 on Form T.D. 1220 by 31 March 2026. For leases signed from 1 April 2026 the landlord files Form T.D. 1220 within 30 days of signing; the Commissioner may on request approve a later date.

PLANNING POINT

Charging VAT on a commercial lease usually suits the landlord, who recovers VAT on construction, refurbishment and running costs and avoids capital goods scheme clawbacks, and is neutral for a fully taxable tenant. Opting out makes sense only where the tenant is a bank, insurer, clinic, school or other business with restricted recovery and the rent can be set higher to compensate. The option is irrevocable and property-specific: decide before the first lease is signed and diarise the 30-day T.D. 1220 deadline.

● The 5% rate for a main and permanent residence

The reduced rate of 5% applies to the purchase or construction of a house or flat to be used by the purchaser as their main and permanent residence in Cyprus for ten years. The rules were tightened by the amendment of 8 June 2023, effective 16 June 2023, with transitional provisions for projects already in planning.

Conditions for the 5% rate

Condition	Rule from 16 June 2023	Transitional rule (old regime)
Area	5% on the first 130 m ² of buildable area; 19% on the area above 130 m ² ; no relief if the total buildable area exceeds 190 m ²	5% on the first 200 m ² of buildable area under the building permit, irrespective of total area or value
Value	5% up to a value of €350,000; 19% on the value between €350,000 and €475,000; no relief if the total transaction value exceeds €475,000	No value limit
Persons with disabilities	5% on the first 190 m ² irrespective of total buildable area, for persons meeting the statutory definition	—
Who qualifies for the transition	—	Planning permission obtained or applied for by 31 October 2023, with a complete 5% application filed within three years of 16 June 2023, that is by 16 June 2026. Under R.A.A. 109/2026 (24 April 2026) the Commissioner may examine transitional applications up to 31 December 2026 where the delay was caused by the planning authorities; confirm the enactment date and the eligible application cohort against the published text before relying on a late application
Eligible persons	Individuals resident in Cyprus, other EU Member States or third countries who will use the residence as their main and permanent home in Cyprus; residents of non-EU countries have qualified since 8 June 2012	
Application	Filed on the prescribed form with proof of ownership before delivery, or within 12 months of delivery where the delay is justified by absence abroad, illness or another reason accepted by the Commissioner; evidence of occupation (utility bill, municipal tax) within six months of taking possession. The 5% rate applies only after the Commissioner's certified approval	
Ten-year rule	If the person ceases to use the property as main residence within ten years, they must notify the Commissioner within 30 days and repay the VAT difference (19% less 5%) attributable to the remaining years of the ten, except on death or on transfer to an adult child who is themselves eligible. For approvals granted under the pre-2023 provisions the repayment was computed under the rules then in force, which could require the whole difference; confirm which basis applies to a transitional property before calculating the repayment	

Source: VAT Law 95(I)/2000, Fifth Schedule, Table C; Circulars EE 155, 158, 167, 168, 210 and 212. The €/m² value may be revised by the Commissioner following a decision of the Council of Ministers.

WORKED EXAMPLE: 5% MAIN RESIDENCE CALCULATIONS

Case 1. A family buys a new 120 m² apartment for €300,000 excluding VAT and obtains approval. Both parameters are within the limits, so VAT is $5\% \times €300,000 = \text{€15,000}$, against €57,000 at 19%, a saving of €42,000.

Case 2. A couple buys a new 160 m² house for €400,000 excluding VAT. Area and value are within the 190 m² and €475,000 ceilings, so relief is available for the first 130 m². Apportioning value by area, $€400,000 \times 130/160 = €325,000$ is attributable to 130 m², within the €350,000 limit, and is taxed at 5% = €16,250; the remaining €75,000 is taxed at 19% = €14,250. Total VAT is **€30,500** against €76,000 at 19%.

Clawback. The family in Case 1 moves abroad after four full years and lets the apartment. It notifies the Commissioner within 30 days and repays $€42,000 \times 6/10 = \text{€25,200}$, and may then apply for 5% on a new main residence. A buyer of a 200 m² villa or a €500,000 apartment exceeds a ceiling and pays 19% on the whole price. Assumptions: VAT-exclusive prices, buildable area equal to stated area, value apportioned pro rata to area; obtain the Tax Department's approved calculation before contracts are exchanged.

● Construction services and the reverse charge

Under article 11B a taxable person supplying construction, alteration, demolition, repair or maintenance services (with or without goods) in relation to a building or civil engineering work to another taxable person for its business does not charge VAT; the customer accounts for it (Chapter 07), since 20 August 2020 even where the supplier is not registered. The customer accounts at the rate applicable to the supply: 19% for commercial work and for new residential construction (other than approved 5% main residences, where the contractor building for the eligible individual charges 5% directly), and 5% for qualifying renovation of dwellings supplied to a taxable landlord. Sales of new buildings and building land from borrowers to lenders in restructurings and foreclosures are also reverse-charged under article 11D.

WORKED EXAMPLE: DEVELOPER, CONTRACTOR AND SUBCONTRACTOR

A developer engages a main contractor for €2,000,000 to build apartments for sale, and the contractor engages an electrical subcontractor for €40,000. The subcontractor invoices €40,000 with no VAT, marked "reverse charge"; the contractor declares €7,600 output tax and €7,600 input tax. The contractor invoices the developer €2,000,000 with no VAT; the developer declares €380,000 output tax and recovers it because it will sell the apartments at 19% or 5%. Had it retained them for residential letting, its supplies would be exempt and the €380,000 an irrecoverable cost subject to the ten-year capital goods adjustment.

● Accommodation, short-term lets and mixed use

Hotel, tourist and holiday accommodation is taxable at 9%. A private owner letting a flat on a short-term platform with cleaning, linen and reception-type services supplies holiday accommodation, is a taxable person and must register once turnover exceeds €15,600; the platform's commission is a reverse-charge service. Long-term residential letting remains exempt, so an owner switching a property between the two uses must monitor the capital goods scheme for ten years. Services connected with immovable property are supplied where the property is located, so a foreign investor's Cyprus property attracts Cyprus VAT on professional fees whoever the customer is. Transfer fees and the levy on property disposals are covered in Guide 01, Cyprus General Tax Guide.

10

Special sectors and schemes

Several sectors have their own exemptions, margin schemes or simplifications. In each case the question is whether the particular supply meets the statutory description: an exemption for financial services does not cover every service to a bank, and a margin scheme changes both the taxable amount and the records the business must keep.

• Financial services and insurance

Table B of the Seventh Schedule exempts the granting, negotiation and management of credit, the operation of bank, deposit and payment accounts, transactions in currency and in shares, bonds and other securities, and the management of mutual funds; insurance and reinsurance, including the services of brokers and agents, are also exempt (Circulars EE 14, 72, 92 and 203; for funds, EE 124 and 143). Advisory, administrative, IT, collection, custody and outsourced services that do not themselves change the legal and financial position of the parties are taxable at 19% even when supplied to a bank or an insurer, and the Court of Justice interprets the exemptions narrowly. Three questions are answered in turn for every supply to a foreign customer: the place of supply (for a business customer, normally where the customer is established, so the supply is outside the scope of Cyprus VAT); whether the supply would be exempt or taxable if made in Cyprus; and whether input tax is recoverable. Recovery for exempt financial and insurance transactions supplied to customers established outside the EU rests on the specific rule in article 169(c) of the Directive (article 21(2)(c) of the VAT Law), which covers the transactions listed in article 135(1)(a) – (f): insurance and reinsurance, credit and guarantees, deposit and payment accounts, currency and securities. It does not automatically extend to the management of special investment funds under article 135(1)(g), and a customer's foreign address is not by itself the test; where a Cyprus manager of a non-EU fund claims recovery, the basis should be confirmed with the Tax Department. Where a business has qualifying customers both inside and outside the EU, the recoverable amount is apportioned.

Financial sector: place of supply, liability and recovery

Supply	Treatment
Loan interest, arrangement of credit, guarantees, to a Cyprus or EU customer	Exempt (article 135(1)(b) – (c)); no recovery of related input tax
Management of an alternative investment fund or UCITS by its manager	Exempt (fund management, article 135(1)(g)); no recovery
Investment advice, research, portfolio reporting, compliance support	Taxable at 19% when supplied in Cyprus; outside the scope with a right of deduction when supplied to a business customer established abroad
Insurance premiums, brokerage and agency commissions	Exempt (article 135(1)(a)); no recovery

Supply	Treatment
Claims handling and loss adjusting supplied to an insurer	Taxable at 19%; outside the scope with a right of deduction if the insurer is a business established abroad
Transactions within article 135(1)(a) – (f) supplied to a customer established outside the EU	Exempt; related input tax recoverable under article 169(c), subject to evidence of the customer's establishment
Fund management (article 135(1)(g)) supplied to a fund established outside the EU	Exempt; recovery is not automatic under article 169(c) and should be confirmed with the Tax Department before it is claimed

CAUTION: COST-SHARING GROUPS

The cost-sharing exemption of article 132(1)(f) of the Directive, as implemented in Cyprus, is confined by the Court of Justice to independent groups whose members carry on the public-interest activities exempted under article 132 (*DNB Banka C-326/15* and *Aviva C-605/15*, 21 September 2017).

Exemptions for financial and insurance services derive from article 135 and do not by themselves qualify, so a group formed by banks, insurers or fund managers cannot use the exemption for shared back-office services. Those services are taxable or exempt according to their own nature and the ordinary rules, and the VAT on them is recoverable only according to each member's recovery position; VAT grouping (Chapter 03) is the mechanism available to Cyprus-established members.

● Holding companies and non-economic activities

Holding shares, receiving dividends and disposing of investments are not economic activities, so a pure holding company cannot register, cannot join a VAT group and recovers no VAT. A holding company that supplies management, financing or other services for consideration to its subsidiaries is a taxable person for those services and recovers input tax attributable to them; overheads relating to both activities are apportioned on a reasonable basis. Deal costs on an acquisition are recoverable only where the acquirer intends to supply taxable services to the target, and the costs of a share disposal are generally irrecoverable.

● Education, health and welfare

Education by registered schools, universities, music and ballet schools and examination centres is exempt, as is closely related private tuition; commercial vocational and corporate training is taxable at 19%, and tutoring centres are excluded from the 5% rate for educational buildings. Medical, paramedical and dental care by registered practitioners is exempt, but cosmetic procedures without a therapeutic purpose, occupational health reports and medico-legal work are taxable; medicines are at 5% and disability equipment at 3% or 0%. Welfare services and the membership services of non-profit bodies are exempt provided competition is not distorted. Schools and clinics with taxable streams should attribute input tax accordingly.

● Tour operators' margin scheme

A travel agent or tour operator that buys in travel services (transport, accommodation, excursions) and resells them in its own name to travellers accounts for VAT on its margin, the difference between the price charged and the actual cost of the bought-in services, and cannot deduct the VAT on those bought-in services. Services performed within the EU are taxed at 19% on the margin; the margin on services enjoyed

outside the EU is zero-rated. In-house services and agency commissions are outside the scheme and follow the normal rules. Invoices must refer to the scheme and must not show VAT separately, so business customers cannot recover it.

● Second-hand goods, works of art, antiques and collectors' items

A dealer that buys second-hand goods, works of art, antiques or collectors' items from private individuals, from exempt businesses or from other margin-scheme dealers, and so bears no deductible VAT on the purchase, may account for VAT only on its margin. VAT is the margin $\times$ 19/119; no VAT is shown on the sales invoice, which must refer to the relevant margin scheme; and the dealer keeps a stock book linking each purchase to its sale. The scheme is optional and the dealer may apply the normal rules to any individual sale, for example to a business customer who wants to recover VAT. Margin-scheme goods are excluded from the distance-selling rules and from intra-Community acquisition VAT.

● Other special schemes

Simplified and sector schemes available in Cyprus

Scheme	Who and how
Cash accounting	Businesses whose turnover has not exceeded €25,000 in the last 12 months may account for output tax when paid by the customer and deduct input tax when they pay the supplier (in force since 20 December 2013); invoices must refer to the scheme
Flat-rate farmers	Farmers may stay outside the VAT system and charge no VAT; instead they add a flat-rate compensation of 5% of the value of sales to taxable customers, which the customer deducts as if it were input tax. Farmers may alternatively register under normal VAT accounting, charging the rate legally applicable to each product or service and claiming eligible input tax; most agricultural produce is food at 5%, specified fresh vegetables and fruit and specified meat and fish are temporarily zero-rated in 2026 (Chapter 02), and only supplies with no lower rate are at 19%. Leaving the flat-rate scheme does not make every product standard-rated
Retail schemes	Retailers may calculate output tax from daily gross takings under an approved retail scheme, and may refund VAT to non-EU travellers under the retail export scheme once Customs certify export
Investment gold	Supplies of investment gold are exempt with an option to tax for B2B supplies; supplies of gold to the Central Bank of Cyprus are zero-rated

● Shipping, yachts and aircraft

Supplies of qualifying seagoing vessels used for commercial navigation on the high seas, their chartering, repair, maintenance, provisioning and equipment, ship-management services for such vessels, international sea and air transport, and the supply and servicing of aircraft used by airlines operating chiefly on international routes are zero-rated. Pleasure craft and private aircraft are not qualifying vessels and follow the ordinary rules. The charter or lease of a yacht is analysed in a fixed order. First, establish the customer's status (business or consumer) and whether the hire is short-term (up to 90 days for a vessel) or long-term. Second, apply the place-of-supply rule of Chapter 07: short-term hire is supplied where the vessel is put at the customer's disposal; long-term hire to a business customer follows the general B2B rule and is supplied where that customer is established; long-term hire to a consumer is supplied where the consumer resides, except that a pleasure boat is supplied where it is put at the consumer's disposal if the supplier has its establishment there. Third, and only where the result of that rule is Cyprus or a place outside the EU, apply

the use and enjoyment adjustment of the Thirteenth Schedule, which moves the place of supply out of Cyprus to the extent the vessel is used outside the EU and into Cyprus for a hire otherwise supplied outside the EU but used here. Presence in EU waters is evidence for that adjustment, not a substitute for the earlier tests, and the customer's residence or establishment is decisive at the second stage; log books, port records and AIS data support the apportionment, and a ruling is advisable for long-term leases. Tonnage tax is covered in Guide 05, Cyprus Companies Tax Guide.

● Crypto-assets

The exchange of a crypto-asset that serves only as a means of payment for fiat currency, or for another such asset, for consideration is an exempt currency transaction following the Court of Justice's decision in *Hedqvist* (C-264/14); the exemption applies only where those conditions are met. The judgment does not classify other crypto-asset transactions, which are analysed on their own facts in the usual order: what rights the token confers (a utility token is a voucher-like right to goods or services, a security-type token follows the securities rules, and neither is covered by the currency exemption); whether there is consideration and a direct link between a payment and a service to an identifiable recipient (a block reward paid by the protocol to a miner or validator generally lacks that link and is outside the scope, whereas a fee paid by an identified user for validation, custody, staking or software services is a supply); and the customer's status and the place of supply, which for automated services delivered over a network will often be those of an electronically supplied service. NFTs and other digital content follow the rules for the underlying supply. Payment in crypto-assets does not change the treatment of the underlying supply, whose taxable amount is the euro value at the tax point. The 8% flat tax on crypto gains introduced in 2026 is covered in Guides 04 and 05.

CAUTION

Sector labels are not decisions. "Fintech" businesses often supply taxable software and data services rather than exempt payment services; "education technology" platforms supply automated electronic services at 19% rather than exempt education; and a "medical" business supplying reports to insurers makes taxable supplies. Map each product to the statutory description before setting the tax code.

11

Compliance, penalties, disputes and the ViDA timetable

Cyprus VAT compliance is quarterly for the return, monthly for VIES and Intrastat, and entirely electronic. The penalty regime is fixed-sum for late filing and percentage-based for late payment, and directors, secretaries and other officers may be personally liable for the company's criminal offences where the statutory conditions for the offence and for their own responsibility are met. The chapter closes with the ViDA timetable to 2035.

€100

Penalty for each VAT return filed late

10%

Additional tax on VAT paid late, plus interest

3.5%

Official interest rate for 2026 (5.5% for 2025), for complete months

6 years

Assessment period and record retention; 12 years for fraud

• VAT returns and payment

Returns (Form T.D. 1004) cover three-month periods and are filed through Tax For All by the 10th day of the second month after the end of the period; VAT due is paid by the same date. Where the due date falls on a weekend or public holiday it moves to the next working day. Each registered person is allocated to one of three quarterly staggers at registration, so that businesses in the same sector share the same periods. Monthly or annual periods may be approved on application, for example for businesses in continuous repayment, and the Commissioner may also impose a different period. There are no payments on account and no annual return.

Quarterly staggers and due dates

Stagger 1	Due	Stagger 2	Due	Stagger 3	Due
1 Jan – 31 Mar	10 May	1 Feb – 30 Apr	10 Jun	1 Mar – 31 May	10 Jul
1 Apr – 30 Jun	10 Aug	1 May – 31 Jul	10 Sep	1 Jun – 31 Aug	10 Oct
1 Jul – 30 Sep	10 Nov	1 Aug – 31 Oct	10 Dec	1 Sep – 30 Nov	10 Jan
1 Oct – 31 Dec	10 Feb	1 Nov – 31 Jan	10 Mar	1 Dec – 28/29 Feb	10 Apr

Payment is made by the same deadline through the online banking services of the participating Cyprus banks or by transfer to the Tax Department's account, using the payment reference generated in Tax For All. Filing and payment are separate steps, and the order in which the portal requires them should be followed as

it stands at the time of filing; a return filed on time with the tax paid late still attracts the 10% additional tax and interest. Reminders go to the e-mail address on file; the obligation to file does not depend on receiving one.

WORKED EXAMPLE: COST OF A LATE RETURN AND PAYMENT

A company's return for the quarter to 31 March 2026 shows €20,000 payable. The statutory due date, 10 May 2026, is a Sunday, so the return and payment are due on the next working day, Monday 11 May 2026. It files and pays on 17 August 2026. The cost is: late filing penalty €100; additional tax $10\% \times €20,000 = €2,000$; interest at 3.5% per annum on €22,000 (the tax plus the additional tax) for three complete months, $€22,000 \times 3.5\% \times 3/12 = €192.50$. Total **€2,292.50** in addition to the tax. Interest is charged for complete months only, on the Tax Department's method of counting, so paying before the third full month had elapsed (on or before 10 August) would have saved one month's interest. The stagger table shows the statutory dates; each should be checked against weekends and public holidays for the year concerned.

● VIES recapitulative statements

Every registered person that supplies goods or services to VAT-registered customers in other Member States must register for VIES and file a monthly statement by the 15th of the following month, listing each customer's VAT number and the value of goods, triangular supplies and services. The statement is filed through TFA even where there were no supplies in the month. Since 2020 the inclusion of the customer's correct VAT number in VIES is a substantive condition for zero-rating an intra-Community supply of goods, and call-off stock movements are reported in the statement. Corrections are made by filing a corrective statement for each month affected.

● Intrastat

Intrastat is the statistical reporting of movements of goods between Member States. A registered person whose arrivals from, or dispatches to, other Member States exceed the annual thresholds must file monthly declarations through TAXISnet by the 10th of the following month, in euro rounded to whole numbers, using Forms Intrastat 1.1 (arrivals) and 1.2 (dispatches). Below the simplification thresholds only the reduced data set is required.

Intrastat thresholds and data

Threshold	Arrivals	Dispatches
Exemption threshold 2026 (registration and monthly filing)	€380,000	€75,000
Exemption threshold 2025	€350,000	€75,000
Simplification threshold (full data set above this)	€2,700,000	€5,800,000

Data reported: Member State of dispatch or destination, reference month, nature of movement, eight-digit CN commodity code, invoice value, statistical value, net mass and supplementary units, country of origin, nature of transaction and mode of transport. Services are not reported in Cyprus Intrastat.

● Correcting errors and assessments

Input tax omitted from an earlier return may be claimed in a later return without formality where the VAT involved does not exceed €1,708. Larger corrections, and any correction of output tax, are made by a correction-of-error application through TFA with supporting documents; the Tax Department then instructs the period in which the adjustment is made. Errors may be corrected voluntarily within three years of the end

of the return period, and the Commissioner may accept later corrections. The Commissioner may raise an assessment within six years of the end of the VAT period, importation or acquisition concerned, extended to twelve years for fraud or deliberate omission; an assessment carries 10% additional tax, interest and, where evasion is found, criminal penalties. Audits are typically triggered by refund claims, VIES mismatches reported by other Member States, CESOP and DAC7 data and inconsistencies with income tax returns.

● Penalties and interest

VAT penalties in force for 2026

Failure	Penalty
Registration	
Late registration	€85 for each month the failure continues
Late deregistration (beyond 60 days)	€85 one-off
Returns and payment	
Late submission of a VAT return	€100 per return
Late payment of VAT	10% additional tax on the amount unpaid, plus interest at the official rate (3.5% for 2026) on the tax and the additional tax, for each complete month
Failure to apply the reverse charge (articles 11, 11A – 11F and 12A), from 1 July 2021	€200 per return, up to a total of €4,000
Output tax under-declared and assessed	10% additional tax plus interest; up to 300% of the tax on conviction for evasion
VIES and Intrastat	
Late VIES statement	€50 per statement
Late corrective VIES statement	€15 per statement
Persistent failure to submit VIES	Criminal offence; fine up to €850
Late Intrastat declaration	€15 per declaration
Intrastat omission or delay beyond 30 days	Criminal offence; fine up to €2,562
Records and documents	
Failure to keep books and records for six years	€341
Failure to issue a lawful receipt or invoice	20% of the value of the supply
Issuing an unauthorised invoice (showing VAT without being registered)	€85, and the VAT shown is payable
Criminal offences	
Fraudulent evasion of VAT	Up to three years' imprisonment, or a fine of up to three times the VAT due, or both

Failure	Penalty
Receipt of goods on which VAT was evaded	Up to 12 months' imprisonment, or a fine of €8,543, or both
Non-payment of VAT shown in an assessment	Up to 12 months' imprisonment, or a fine of €8,543, or both
False declaration to obtain the 5% main-residence rate	Payment of the VAT difference; fine up to twice the VAT, or up to three years' imprisonment, or both

Source: VAT Law 95(I)/2000, articles 45 – 48; Unified Public Interest Rate for Overdue Payments Law 167(I)/2006. Directors, secretaries and other officers of a company may be personally liable for the company's criminal offences under the VAT Law where the offence is proved and the statutory conditions attaching responsibility to the officer are met; liability is not automatic and depends on the offence provision concerned.

PENALTY

Refund suspension is a penalty in all but name: since 20 August 2020 any VAT credit, and the interest on it, is withheld while a company's T.D. 4 corporation tax return or T.D. 7 employer's return is outstanding. A group with a single overdue return can find several million euro of export-related refunds frozen.

● Objections and appeals

An objection to the Commissioner must be filed within 60 days of notification of an assessment, stating the grounds, the amounts disputed and the evidence. If it is rejected, the taxpayer may take the dispute to the Tax Tribunal, which has heard VAT disputes since 2017 and whose decision binds the Tax Department, or to the Administrative Court; a Tribunal decision may itself be challenged before the Administrative Court, and a further appeal lies to the appellate court under the 2023 reorganisation of the court system. The time limits commonly applied are 45 days for the Tribunal and 75 days for the Administrative Court, running from the notification of the decision, but the limit and the route stated in the notice of decision should be confirmed against the current legislation before the deadline is relied on. A refusal of a refund under Directive 2008/9/EC or the 13th Directive is challenged by the same routes.

Disputed VAT generally remains payable pending the outcome. A ruling request before the transaction is the more economical route for novel or high-value questions; the Tax Department confirms partial exemption methods, property treatments and place-of-supply analyses by ruling.

KEY DATES: RECURRING VAT OBLIGATIONS

10th of each month	Intrastat declarations for the previous month (TAXISnet)
15th of each month	VIES statement for the previous month (TFA)
10th of the second month after each quarter	VAT return and payment (TFA); OSS return by the end of the month following the quarter
End of each month	IOSS return for the previous month; SME scheme quarterly turnover report within one month of quarter end
30 September 2026	Claims for 2025 VAT incurred in other Member States (and by EU businesses for Cyprus VAT); expiry of the temporary zero rate on specified meat and fish (Κ.Δ.Π. 168/2026) unless extended
31 December 2026	13th Directive claims for VAT incurred in the year to 30 June 2026; expiry of the temporary zero rate on essentials unless extended
31 March 2027	Last meter readings at 5% for domestic electricity tariffs (Κ.Δ.Π. 167/2026) unless extended

● VAT in the Digital Age (ViDA)

The VAT in the Digital Age package, politically agreed by ECOFIN on 5 November 2024 and formally adopted in March 2025, is the largest reform of the EU VAT system since the single market. It arrives in stages between 2027 and 2035, and Cyprus businesses that trade across borders, operate platforms or issue large volumes of invoices need to plan for each stage now.

1 Jul 2028 Single VAT registration: extended OSS and mandatory B2B reverse charge	1 Jan 2030 Deemed-supplier rules for accommodation and transport platforms (optional from July 2028)	1 Jul 2030 Mandatory structured e-invoicing and digital reporting for intra-EU B2B supplies	1 Jan 2035 National e-invoicing and reporting systems aligned with the EU standard
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The three pillars

ViDA at a glance

Pillar	What changes	Who is affected
Digital reporting requirements (DRR)	Structured electronic invoices under the EN 16931 standard become mandatory for intra-Community B2B supplies, issued within ten days of the chargeable event, with near-real-time transaction-by-transaction reporting to the tax authorities replacing the monthly VIES statement. Member States may impose domestic e-invoicing without prior EU authorisation from 2025, and existing national systems must converge with the EU standard by 2035	Every business making or receiving intra-EU B2B supplies of goods or services; all businesses in Member States that mandate domestic e-invoicing

Pillar	What changes	Who is affected
Platform economy	Platforms facilitating short-term accommodation rental (up to 30 nights) and passenger road transport become deemed suppliers, accounting for VAT on the underlying supply where the provider does not charge VAT (for example a private landlord or an SME-exempt driver). Member States may exclude SME-exempt providers and may apply the rule from 1 July 2028	Accommodation and ride platforms and the hosts and drivers using them
Single VAT registration	OSS is extended to B2C supplies of goods with installation, goods on board transport, gas and electricity, and domestic B2C supplies of goods by non-established suppliers; a new OSS module covers transfers of own goods between Member States, and the call-off stock simplification is closed to new transfers from 1 July 2028 with existing stock running off to 30 June 2029; and the reverse charge becomes mandatory for B2B supplies by non-established, non-registered suppliers. The adopted directive does not make IOSS mandatory: the Commission's proposal to require deemed-supplier platforms to use IOSS was moved into the separate customs reform legislation, of which only the interim €3 duty from 1 July 2026 is enacted, so IOSS remains optional until an instrument with a commencement date and transaction scope is adopted	Businesses holding stock or making local supplies in other Member States; e-commerce sellers; platforms

Source: Council Directive (EU) 2025/516, Council Regulation (EU) 2025/517 and Council Implementing Regulation (EU) 2025/518 amending Directive 2006/112/EC, Regulation (EU) 904/2010 and Implementing Regulation (EU) 282/2011.

Timetable to 2035

ViDA implementation dates

Date	Measure	Planning significance for Cyprus businesses
1 July 2028	Single VAT registration: extended OSS, OSS for transfers of own goods, mandatory B2B reverse charge for non-established suppliers. No new call-off stock transfers under the existing simplification from this date; stock transferred before it continues under the existing rules until called off or returned, and the regime ends on 30 June 2029. Platform deemed-supplier rules optional for Member States	Review foreign VAT registrations held only for stock movements or local B2C sales; many can be cancelled. Transfers made from 1 July 2028 use the OSS module for own goods; the date of transfer, not of the later supply, decides which rules apply
1 January 2030	Platform deemed-supplier rules mandatory for short-term accommodation and passenger transport	Hosts, drivers and platforms in the Cyprus tourism sector reprice and re-document
1 July 2030	Mandatory structured e-invoicing and digital reporting for intra-Community B2B supplies and acquisitions and for reverse-charge services; VIES statements abolished; e-invoices issued within ten days of the chargeable event; summary invoices restricted	ERP and invoicing systems must produce and receive EN 16931 e-invoices and transmit data in near real time
1 January 2035	National domestic digital reporting and e-invoicing systems that existed before 2024 must be aligned with the EU standard	Cyprus groups with subsidiaries in Italy, Poland, Romania, France, Belgium and other early adopters harmonise systems

CAUTION

ViDA's staged rules are not 2026 obligations. The VIES statement, the call-off stock simplification and paper or PDF invoicing all remain valid in Cyprus in 2026. Conversely, several Member States already operate domestic e-invoicing or real-time reporting (Italy, Poland, Romania and Hungary, Spain's SII, and Germany's phased B2B e-invoicing, under which established businesses have had to be able to receive structured invoices since 1 January 2025 with issuing phased in from 2027). Each mandate has its own scope, which turns on whether the business is established or merely registered there, on the transaction type and on staged commencement dates, so a Cyprus company registered in one of those countries must confirm which obligations apply to it rather than assume that registration alone brings it within the mandate; where it does apply, it must be met today, whatever the EU timetable says.

Other developments to monitor

Beyond ViDA, the measures to watch are domestic: the redefinition of first occupation for building sales and 5% renovation from 1 September 2026 (R.A.A. 102/2026 and 103/2026); the temporary zero rates on essentials (to 31 December 2026) and on specified meat and fish (to 30 September 2026), and the 5% rate on domestic electricity tariffs (meter readings to 31 March 2027), each subject to extension by decree; the new 30-day T.D. 1220 procedure for commercial leases; the periodic renewal of the article 11D reverse charge; the annual Intrastat thresholds; and the green taxes under the Recovery and Resilience Plan, which remain at consultation stage and are not enacted. At EU level, DAC8 reporting by crypto-asset service providers starts for 2026, the Carbon Border Adjustment Mechanism enters its definitive phase in 2026 for importers of iron, steel, cement, aluminium, fertilisers, electricity and hydrogen, and the €150 customs duty exemption for low-value consignments ended on 1 July 2026, replaced by an interim flat duty of €3 per item on consignments up to €150 (Council decisions of 12 December 2025 and 11 February 2026) pending the full customs reform expected in 2028; IOSS continues to collect the VAT, and the duty is a separate charge (Chapter 08).

PLANNING POINT: ViDA READINESS

Map every foreign VAT registration to its reason and flag those the 2028 single registration could replace; confirm the ERP can issue and receive EN 16931 structured invoices; identify the intra-EU B2B flows that will need ten-day e-invoicing and real-time reporting from July 2030; model the platform rules on pricing for hosts, drivers and platforms; plan for the end of new call-off stock transfers from 1 July 2028, with existing stock running off to 30 June 2029; and keep dated rate and rule tables so that each change applies from its effective date.

12

EU VAT rate reference and compliance checklist

A Cyprus business that sells to consumers in other Member States, buys from suppliers there or is registered there needs the rates and thresholds of those states. This chapter collects the 2026 headline figures for all 27 Member States and closes with a compliance checklist and the principal legal references.

● VAT rates in the 27 Member States

Standard and reduced rates, 2026

Member State	Standard	Reduced rates	Notes: temporary, regional and 2026 changes
Austria	20%	10%, 13%	19% in Jungholz and Mittelberg
Belgium	21%	6%, 12%	
Bulgaria	20%	9%	
Croatia	25%	5%, 13%	
Cyprus	19%	3%, 5%, 9%	Temporary 0% and 5% measures in 2026 (Chapter 02)
Czech Republic	21%	12%	
Denmark	25%	None	
Estonia	24%	9%, 13%	
Finland	25.5%	10%, 13.5%	Reduced rate lowered from 14% to 13.5% on 1 January 2026; 10% category unchanged
France	20%	2.1%, 5.5%, 10%	
Germany	19%	7%	
Greece	24%	4%, 6%, 13%	
Hungary	27%	5%, 18%	
Ireland	23%	9%, 13.5%	
Italy	22%	4%, 5%, 10%	
Latvia	21%	5%, 12%	
Lithuania	21%	5%, 12%	
Luxembourg	17%	3%, 8%, 14%	

Member State	Standard	Reduced rates	Notes: temporary, regional and 2026 changes
Malta	18%	5%, 7%, 12%	
Netherlands	21%	9%	
Poland	23%	5%, 8%	
Portugal	23%	6%, 13%	Madeira 22%, 12%, 4%; Azores 16%, 9%, 4%
Romania	21%	11%	
Slovakia	23%	5%, 19%	
Slovenia	22%	5%, 9.5%	
Spain	21%	4%, 10%	5% applied to certain products under temporary measures only; apply an exceptional rate solely for the product and period confirmed in current Spanish law
Sweden	25%	6%, 12%	Food 6% (from 12%) from 1 April 2026 to 31 December 2027, temporary; restaurant and catering remain at 12%

Headline rates as published for 2026; reduced rates apply only to the goods and services each state lists, and regional and temporary measures must be checked for the transaction date. The intra-EU distance-selling threshold is €10,000 in every Member State.

● Small-enterprise exemptions and registration of non-established suppliers

The domestic small-enterprise exemption is the turnover below which an established business supplies without charging or recovering VAT; it is distinct from the obligation to register, which in several states applies from the first supply. A non-established supplier has no threshold unless the reverse charge or a special scheme applies. The cross-border SME scheme lets an EU business use another state's exemption within the €100,000 Union ceiling and the national threshold in the last column.

Domestic SME exemption, non-established suppliers and the cross-border scheme, 2026

Member State	Domestic SME exemption (established businesses)	Non-established suppliers	Cross-border SME scheme: national threshold for EU businesses (Union ceiling €100,000)
Austria	€55,000 (previous and current year)	No threshold	€55,000
Belgium	€25,000, on notification	No threshold	€25,000
Bulgaria	€51,130	No threshold	€51,130
Croatia	€60,000	No threshold	€60,000
Cyprus	€15,600	No threshold	€15,600
Czech Republic	CZK 2,000,000 (approx. €83,000); immediate registration above CZK 2,536,500 (€100,000)	No threshold	CZK 2,000,000
Denmark	DKK 50,000 (approx. €6,700)	No threshold	DKK 50,000
Estonia	€40,000	No threshold	€40,000
Finland	€20,000	No threshold	€20,000
France	€85,000 goods; €37,500 services (franchise; ceases in-year above €93,500 / €41,250); the planned single €25,000 threshold was abolished in November 2025	No threshold	€85,000 goods; €37,500 services

Member State	Domestic SME exemption (established businesses)	Non-established suppliers	Cross-border SME scheme: national threshold for EU businesses (Union ceiling €100,000)
Germany	€25,000 previous year / €100,000 current year (Kleinunternehmer, section 19 UStG); registration still required	No threshold	€25,000 / €100,000
Greece	€10,000 (article 44 regime, on application)	No threshold	€10,000
Hungary	HUF 20,000,000 from 1 January 2026 (HUF 18,000,000 in 2025); registration still required	No threshold	HUF 20,000,000
Ireland	€42,500 services; €85,000 goods	No threshold	€42,500 services; €85,000 goods
Italy	€85,000 (regime forfettario, with substitute tax); registration still required	No threshold	€85,000
Latvia	€50,000	No threshold	€50,000
Lithuania	€45,000	No threshold	€45,000
Luxembourg	€50,000	No threshold	€50,000
Malta	€35,000 (article 11; related persons' turnover aggregated)	No threshold	€35,000
Netherlands	€20,000 (KOR), on prior application	No threshold	€20,000
Poland	PLN 240,000 (approx. €56,800) from 1 January 2026; PLN 200,000 in 2025	No threshold	PLN 240,000
Portugal	€15,000 (article 53 regime, extended from 1 July 2025)	No threshold	€15,000
Romania	RON 395,000	No threshold	RON 395,000
Slovakia	€50,000 previous year, or €62,500 within the current year	No threshold	€50,000 / €62,500
Slovenia	€60,000	No threshold	€60,000
Spain	None: every business registers from its first taxable supply	No threshold	Not available: scheme not transposed at the review date; confirm
Sweden	SEK 120,000 (approx. €10,500)	No threshold	SEK 120,000

Thresholds from the 2026 professional country summaries and the Commission's SME pages; local-currency figures converted at approximate rates. Germany: the country summary records no registration threshold; the Kleinunternehmer figures are from the Commission data. Hungary: the summary reports the increase to HUF 20,000,000 from 1 January 2026 (HUF 18,000,000 in 2025). Under the cross-border scheme the business notifies its home state, is identified with an "EX" suffix and reports quarterly (Chapter 08). Confirm the current figure with the state concerned before relying on it.

The VAT territory is not the political territory: the Canary Islands, Ceuta and Melilla, the Åland Islands, Mount Athos, the French overseas departments and several other areas are outside the EU VAT area, so goods sent there are exports; Northern Ireland remains within the EU rules for goods but not services; and the areas of Cyprus not under the effective control of the Government are outside the application of the VAT Law.

PLANNING POINT

Keep a dated rate table for every Member State sold into and apply the rate in force at the tax point of each supply; a rate change must never reopen closed invoices. Where a reduced rate may apply abroad, confirm the product description against that state's list rather than the Cyprus category.

• VAT compliance checklist

Set-up and registration

- ✓ Rolling 12-month taxable turnover schedule maintained, separating domestic taxable, zero-rated, exempt, outside-scope and reverse-charge purchases.
- ✓ Registration effective date evidenced; TFA access, VIES activation and Intrastat registration in place.
- ✓ Foreign registrations, OSS, IOSS and SME (EX) identifications listed with their effective dates.
- ✓ VAT group membership, partial exemption method and any rulings filed with the Tax Department.

Sales

- ✓ Every invoice carries the mandatory particulars and the required reverse-charge, self-billing, triangulation or margin-scheme wording.
- ✓ Customer VAT numbers validated in VIES at the time of supply, with dated evidence retained.
- ✓ Transport evidence for intra-Community supplies and validated export declarations filed with the invoice.
- ✓ Consumer sales abroad tracked against the €10,000 threshold; destination rates applied through OSS.

Purchases and recovery

- ✓ Foreign purchase invoices reviewed for reverse charge and both entries recorded.
- ✓ Blocked items (saloon cars, entertainment, director accommodation, margin goods) excluded.
- ✓ Partial exemption provisional percentage applied and annual adjustment made in the last return of the year.
- ✓ Capital goods register maintained for five years (assets) and ten years (property).
- ✓ Refund claims for other Member States submitted by 30 September; 13th Directive claims by 31 December.

Filing and review

- ✓ Return, VIES, Intrastat and OSS/IOSS reconciled to each other and to the ledger without duplication.
- ✓ Direct tax returns (T.D. 4, T.D. 7) filed so that VAT refunds are not suspended.
- ✓ Corrections made within three years; €1,708 tolerance applied only to omitted input tax.
- ✓ Preparer and reviewer sign-off, submission and payment acknowledgements retained for six years.

• Legal references

- Value Added Tax Law 95(I)/2000, as amended, including Regulatory Administrative Acts 102/2026, 103/2026 and 109/2026 and the First to Thirteenth Schedules.
- Value Added Tax (General) Regulations K.D.P. 314/2001 (invoicing, self-billing, records, VAT representatives).
- Council Directive 2006/112/EC on the common system of value added tax, as amended by Directives (EU) 2017/2455 and 2019/1995 (e-commerce), 2018/1910 (Quick Fixes), 2020/285 (SME scheme), 2022/542 (rates) and 2025/516 (ViDA).
- Council Implementing Regulation (EU) 282/2011 (place of supply, evidence and e-commerce implementing measures).
- Council Directive 2008/9/EC and Thirteenth Council Directive 86/560/EEC (refunds to EU and non-EU businesses); Council Directive (EU) 2020/284 (CESOP); Council Directive (EU) 2021/514 (DAC7); Customs Code Law 94(I)/2004 and Regulation (EU) 952/2013; Excise Duties Law 91(I)/2004; Unified Public Interest Rate for Overdue Payments Law 167(I)/2006; Tax Department circulars, orders and leaflets cited in the text.



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