

Cyprus Government announces Value Added Tax (VAT) measures in order to minimise the effects of Coronavirus outbreak on the Cyprus tourism industry

2 July 2020

Further to our previous VAT updates regarding the decision taken by the Cyprus government to use Value Added Tax (VAT) as a fiscal policy tool for restricting the adverse effects of coronavirus (Covid-19), on the local economy, we would like to highlight the following:

Indirect Tax (VAT) Measures - Reduction of VAT rate to 5% to support tourism industry.

On 23 June 2020 the Council of Ministers issued decree ΚΔΠ 268/2020, which announces that the VAT rate of 9% is reduced to 5%, from 1 July 2020 to 10 January 2021.

VAT measures – Reduction of VAT reduced rate to 5%

Cyprus Government announces further economic support measures in order to address the effects of Coronavirus outbreak on the Cyprus tourism industry.

As per the new law the Cyprus government, in its effort to use Value Added Tax (VAT) as a fiscal policy tool for minimising the adverse effects of coronavirus (Covid-19) pandemic on the local economy and especially on the tourism sector **has temporarily reduced the VAT rate that applies to the tourism, restaurant and transport industries from 9% to 5%.**

The reduction applies to the following:

- Hotel accommodation, tourist lodging and other similar holiday accommodation;
- Restaurant and catering services; and
- Transportation of passengers and their accompanying luggage within Cyprus via taxi or a bus.

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Our Opinion

Businesses which are falling in any of the abovementioned categories need to take action to ensure that the change in VAT rate is correctly reflected in their accounting records in order to avoid problems in future VAT audits, ensuring that penalties and interest will not be imposed due to any mistakes.

Contact us

Feel free to contact us if you wish to have a discussion or advise on how this development might affect you or your business.