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Tax Insights
from Tax Services Policy

R.A.A. (regulatory administrative act) 364/2025: New Reduced VAT Rate of 5% on construction and renovation of educational buildings

Issue V-4-2025, 15 December 2025

In brief

On 5th of December 2025, the Council of Ministers issued an order establishing a new reduced VAT rate of 5% for the construction and renovation of public and private buildings that will be used by organisations in the provision of VAT exempt education services.

The purpose of this newsletter is to analyze and explain these amendments to the law and their application.

In detail

Through the decree, the government proceeded to amend the Fifth Annex of the Value Added Tax Law of 2000, so that the reduced VAT rate of 5% applies to the construction and renovation of certain public and private buildings used by educational institutions when providing exempt education services.

The amendment applies to school buildings which are used in the provision of exempt education services, excluding tutoring centers.

Specifically, this amendment covers buildings used in the provision of education services by:

- Public educational institutions of all levels, including vocational training, education, and retraining.
- Private schools registered in the relevant registry, excluding private tutoring centers.
- Private higher education institutions registered in the relevant registry.
- Persons, organizations, or institutions recognized by the Registrar, provided they are directly related to educational services, for the following services:

  a) Training provided by educational institutions defined above, to higher education students, when offered as part of the students' studies and closely connected to their education;

  b) Clinical practice of higher education students in public and private hospitals (registered in the relevant registry), when provided as part of the students' studies and are closely connected to their education;

  c) Courses delivered by guest lecturers at private higher education institutions; and

  d) Any other services linked to the above exemption and approved by the Tax Commissioner, provided that the exemption does not pose a risk of distorting competition.

The purpose of this amendment

Based on this amendment, schools and organizations that provide exempt education and meet the legal conditions will now benefit from the reduced 5% VAT rate on the construction and renovation expenses of their buildings.

The reduction of VAT from 19% to 5% aims to create more favorable conditions for upgrading educational facilities, benefiting students and educators, thereby strengthening the country's educational system.

This provision aims to facilitate investments in schools and educational institutions, leading to safe and modern learning spaces. In this way, equal access to quality educational spaces is ensured, between private and public education, while laying the groundwork for an improved educational environment for all.

How can we help?

Our designated team of Indirect Tax Specialists is at your disposal to advise on the application of the reduced rate for the construction and/or renovation of the buildings to be used by organizations in the provision of exempt education services. In addition, our team can advise on the optimal structure to be used for the development of new buildings in order to achieve maximum efficiency under this new amendment.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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