

Indirect Tax Services

Newsletter



Newsletter 61/November 2016

This newsletter refers to the recent amendment of Table C of Schedule Five of the VAT legislation which refers to the imposition of the reduced VAT rate on the acquisition and construction of private residences.

The amendment in the legislation applies with the publication of the amendment in the Official Gazette of the Republic.

Amendment of Table C of Schedule Five

In accordance with the proposed amendment in the legislation that was approved by the Parliament, the restriction that applied for the imposition of the reduced rate of VAT on the first 200 square meters for private residences up to 275 square meters no longer applies.

Based on the amendment, the reduced rate of VAT of 5% applies on the first 200 square meters whereas for the remaining square meters as determined based on the building coefficient, the standard VAT rate is imposed.

The private residences must be used as the main and permanent place of residence for a period of 10 years.

In addition based on the amendment, persons who have already acquired a residence on which the reduced VAT rate was imposed, can re-apply and acquire a new residence on which the reduced VAT rate will be imposed, irrespective of whether the 10 year prohibition period for using the residence provided for in the legislation has lapsed or not. A condition for this to apply is that in case the 10 year period of using the residence as the main and permanent place of residence has not lapsed, the persons must pay back to the Tax Department the difference in the VAT between the standard and reduced VAT rates applicable at the time of the acquisition or construction of the residence.

Way forward: how PwC can help you

It is important that the above amendment in the VAT legislation is applied correctly so that the imposition of penalties and/or charges is avoided.

The dedicated team of VAT professionals at PwC is ready to discuss the above mentioned changes and provide any support in relation to the above changes.

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