

Cyprus: Reduced VAT rate of 5% applies to hotel accommodation, restaurant and catering and transportation services on a temporary basis

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The Cypriot Council of Ministers, using the powers provided under Articles 18 and 18A of the Value-Added Tax (VAT) Legislation, has issued a new decree (Κ.Δ.Π. 268/2020) dated 23 June 2020) **regarding the application of the reduced VAT rate of 5% on hotel accommodation, restaurant and catering and transportation services as summarized below**, amending the Fifth and Twelfth Schedules of the Cypriot VAT legislation.

Scope of reduced VAT rate

According to the relevant decree, **the following services are subject to the reduced VAT rate of 5% for the period from 1 July 2020 to 10 January 2021:**

1. Accommodations provided by hotels and similar establishments, including the provision of holiday accommodations.
2. Restaurant and catering services accompanied by sufficient support services.
3. Transportation of passengers and their luggage within the Republic by urban, intercity and rural taxis, tourist and intercity buses.

Next steps

Time of supply rules and especially rules applicable in cases of VAT rate changes are still in force.

Affected business should act immediately with the relevant steps so that the reduced rate of 5% is imposed on the above services for the period from 1 July 2020 to 10 January 2021. **In addition, affected businesses must consider their obligations and rights regarding the time of supply.**

For additional information with respect to this Alert, please contact the following:

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