

Immovable Property Tax 2013

Update as at 1 October 2013

What is Immovable Property Tax (IPT)?

- ✓ **All property owners** in Cyprus are liable to pay an annual tax levied on the value of the real estate they own in their name as at 1st January of every year. The IPT is imposed on the total value of immovable property, in case an owner has more than one property registered in his or her name.
- ✓ The **IPT covers all types of real estate**, on all land and anything constructed on it and also includes properties for which title deeds have not yet been issued, e.g. an apartment in a development where the ownership of the development has not been divided to the various apartment owners via the issuance of separate title deeds or in the form of shares to the ownership of the whole property.



What IPT do I pay if I don't have a title deed?

In cases **where a property does not have a title deed**, then the tax is paid by the registered owner of the property (in the example above, by the developer) and this amount is then payable by the unit holder to the owner of the property. In terms of apportionment of the IPT to the various unit holders, there is no standardized way although the most common way is by the size of the unit as a percentage of the built area of the development. Without Title Deeds the Inland Revenue Department cannot accept the unit holder paying the Immovable Property Tax.

Buyers are warned **not to pay a developer** Immovable Property Tax unless the developer:

- ✓ Supplies you with written evidence of the amount of Immovable Property Tax he has paid to the Inland Revenue Department for the land on which your development has been constructed.
- ✓ Provides you a written statement identifying your share of that land/ property.
- ✓ Supplies you with a written invoice on the company's letterhead for the agreed amount to be paid.
- ✓ Provides a written company receipt for the amount paid.



Can I claim back IPT?

Where as a result of the **development being owned by one person who is consequently charged at a higher tax band** a unit holder has paid an amount that is above what they would have paid had they owned the property (title deed issued) at the time of the taxation, the unit holder can claim back the difference from the Income Tax authorities once the title deed is issued.

Once buyers receive their Title Deed they may apply to the Inland Revenue, using Form IR 314, to reclaim any overpayment of Immovable Property Tax paid by the developer on their behalf to the Inland Revenue. Buyers should submit the completed Form IR 314 together with the following documents:

- ✓ Copy of the Title Deed of the property.
- ✓ Receipt issued by the Land Registry when the Contract of Sale/Sale Agreement was deposited for Specific Performance.
- ✓ Copy of the Contract of Sale/Sale Agreement.
- ✓ Receipt(s) issued by the property developer confirming the Immovable Property Tax paid.



IPT 2013 Rates

| 1980 Property Value | Annual Property Tax | Accumulated Tax (Max) |
|------------------------|---------------------|-----------------------|
| €0 to €12,500 | None | 0 |
| €12,501 to €40,000 | 0.60% | €240* |
| €40,001 to €120,000 | 0.80% | €880 |
| €120,001 to €170,000 | 0.90% | €1,330 |
| €170,001 to €300,000 | 1.10% | €2,760 |
| €300,001 to €500,000 | 1.30% | €5,360 |
| €500,001 to €800,000 | 1.50% | €9,860 |
| €800,001 to €3,000,000 | 1.70% | €47,260 |
| More than €3,000,000 | 1.90% | |

* For ownerships that exceed €12,500 the tax is levied on the full amount up to €40,000.

Note: The minimum IPT payment of €75 has been removed.

- ✓ For 2013, the tax levied is based on the 1980 values of property.
- ✓ From 2014 the tax will be based on a valuation based on the current value of properties (this is currently underway).
- ✓ From 2015 onwards the tax will be based on annually revised property values, where these values will be revised according to an property price index maintained by the Land Registry.
- ✓ **Property owners have a right to appeal against the value assigned to their property by the Land Registry.**



How much IPT do I need to pay?

- ✓ The amount of tax to be paid will be calculated by an Inland Revenue officer.
- ✓ Calculations are based on the 1980 value of all the properties registered in the name of a legal person (physical person or company), as shown on their Title Deeds ('Certificate of Registration of Immovable Property')

Example for property with 1980 value of €170,000

A) Property registered on a single name:

On the first €40,000 (i.e. up to a value of €40,000) – 0.6% = €240

On the next €80,000 – 0.8% = €640

On the remaining €50,000 – 0.9% = €450

Total IPT payable = €1,330

B) Property registered jointly (e.g. between husband & wife):

- ✓ Each of their IPT liability will be calculated on half the 1980 value (€85,000)
- ✓ Each party will be asked to pay:

On the first €40,000 (i.e. up to a value of €40,000) – 0.6% = €240

On the remaining €45,000 – 0.8% = €360

Total IPT payable by each joint owner = €600



Where and how can I pay my IPT?

- ✓ Payment notices will be sent out by post until the 15 September.
- ✓ Due date is 15 November.
- ✓ IPT payments received before 16 October enjoy a 10% discount on the IPT amount due.
- ✓ For payments received after 15 November a 10% penalty plus interest and any other administrative charges imposed by the law apply .
- ✓ Payment can be made at all local Inland Revenue offices or electronically (the Inland Revenue is in the process of setting this up) by citing a reference number attached to the payment notice.

A) Permanent Residents of Cyprus must provide the following documents

- ✓ Title Deeds for all the properties registered in their name - Form No. 131A - earlier version 131 (Note that clear photocopies may be acceptable).
- ✓ Yellow Slip/Certificate of Registration (Form No. MEU1).
- ✓ A completed Form 303 (In some cases a completed Form 302 may be required).
- ✓ Current passport.

B) Non Residents must provide the following documents

- ✓ Owners of property not residing in Cyprus, should appoint a representative of the local Inland Revenue office (on Cyprus) providing the following documents:
 - ✓ Their permanent address and contact details.
 - ✓ A clear copy of their passport.
 - ✓ A clear copy of the Title Deed for each property registered in their name.



Leaf Research can help you

- ✓ We advise clients to reduce their IPT, either by transferring the asset to multiple names/ owners or by challenging the amount levied to the unit holder (in cases where the property does not have a title deed).
- ✓ We assist clients by challenging the value assigned to the property by the Land Registry.
- ✓ We provide advisory services as to the settlement of taxes of unit holders with property owners (developers).

Contact us:



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Note: The IPT legislation is regularly being updated. Visit www.leafresearch.com for the latest information.

