VAT RULES FOR PLACE OF SUPPLY & REPORTING FOR VIES (EU SALES)

Value Added Tax

VAT Registration:

- Companies selling goods / services exclusively within Cyprus must register for VAT if annual turnover exceeds €15,600.
- Intra-EU acquisitions of goods: VAT registration is required if a business acquires goods from other EU Member States exceeding €10,251.61 within a calendar year.
- Companies selling goods/services to VAT-registered businesses in other EU countries must register for VAT and VIES from the first transaction, regardless of value.
- Companies purchasing services from EU or non-EU providers must register for VAT if the total value of services purchased within 12 months exceeds €15,600.
- VAT-exempt supplies and capital asset sales are not included in turnover calculations.
- Under Cyprus VAT legislation, the domestic reverse charge mechanism applies to the following transactions carried out between taxable persons. (See table 1)
- VAT applies in Cyprus to transactions involving immovable property, including the leasing of premises, the sale of non-developed building land, and certain supplies or transfers of buildings under specific conditions set out in the VAT law. The detailed VAT treatment depends on the nature of the property and the transaction, as well as specific legal provisions governing exemptions, options, and time-based rules under the applicable legislation.
- Yacht registration in Cyprus is carried out under three main types of ship registration: provisional registration, permanent registration, and bareboat charter (parallel) registration. As the applicable rules are extensive, each case is assessed individually on its specific facts and circumstances.
- Registration process: Registration is done by filing the official VAT/VIES application form with the Cyprus Tax Department.
- Yacht registration in Cyprus is carried out under three main types of ship registration: provisional registration, permanent registration, and bareboat charter (parallel) registration. As the applicable rules are extensive, each case is assessed individually on its specific facts and circumstances.

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Reporting Requirements:

- Sales to EU businesses are reported monthly via the VIES (EC Sales List).
- All purchases/expenses and sales (domestic, EU and Non EU) are reported quarterly for VAT purposes.

VAT Invoicing Rules:

- No VAT is charged on invoices to EU companies if the customer is VAT-registered however, if the client does not have a valid VAT number, 19% VAT must be added to the invoice. (VAT number must be verified through the EU VIES system.)
- Invoices under the reverse charge mechanism must be reported by the invoice date, not the payment date. Failure to report may result in a €200 per quarter penalty (maximum €4,000).
- Where output VAT exceeds input VAT, the company will be liable to pay the resulting VAT balance to the tax authorities. Conversely, where input VAT exceeds output VAT, the excess amount will be carried forward and credited against future VAT liabilities.
- If the company is in a VAT refundable position, it may claim a VAT refund for a period of up to six years, provided that the required application form is submitted and the company holds a bank account that is accepted by the VAT authorities.

Table 1

Category of Transaction	Article of the Law	Registration Threshold
Construction services	11B	€ 15,600
Trade of specific goods (e.g. scrap metals)	11C	€ 15,600
Disposal of immovable property and plots to the borrower as part of loan restructuring	11D	€ 15,600
Provision of certain electronic devices	11E	€ 15,600
Provision of raw and semi-finished precious metals	11F	€ 15,600

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.