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FLEXI ALERT

ALERTS ON TAX LAW AND OTHER RELEVANT TOPICS
ARE PERIODICALLY PUBLISHED TO KEEP YOU UP-TO-
DATE WITH THE LATEST LOCAL DEVELOPMENTS.

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FLEXI ALERT / June 2020

INCOME TAX LAW AMENDMENT PROVIDES TAX INCENTIVES FOR REDUCED RENT

On 2 June 2020, an amending Income Tax Law was published in the Official Gazette with respect to tax relief on rental income.

The amendment was voted to support the Cyprus economy following the COVID-19 outbreak and provides a tax incentive to landlords (individuals or companies) so as to voluntarily reduce the rent charged to tenants.

According to the amendment, qualifying landlords can claim a tax credit against their income tax charge for the tax year 2020. The tax credit is equal to 50% of the rent reduction voluntarily agreed and implemented between the landlord and the tenant.

Any tax refund that may arise as a result of the tax credit cannot exceed the amount of tax already paid.

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stay safe**

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To be eligible for the tax credit, the following conditions must be satisfied:

- ☐ the monthly rent reduction is not lower than 30% or higher than 50% of the monthly rent;
- ☐ the rent reduction applies for a period that does not exceed 3 months and falls within the tax year 2020, irrespective of the agreed months of such reduction;
- ☐ a written agreement between the landlord and the tenant is in place which governs the terms of the rent reduction;
- ☐ the landlord and the tenant are not related parties as per the definition of the term in Article 33 of the Income Tax Law.

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