



VAT to the Rescue – VAT on hospitality and transport reduced to 5%

As part of its efforts to help curtail the adverse effects of the coronavirus pandemic on the local economy and especially tourism, the Cyprus Government has temporarily reduced the VAT rate that applies to the tourism, restaurant and transport industries from 9% to 5%.

Under the powers afforded to it through articles 18 and 18A of the Cyprus VAT Laws, on 23 June 2020 the Council of Ministers issued decree [ΚΔΠ 268/2020](#), which announces that for the period between 1 July 2020 and 10 January 2021, both inclusive, the VAT rate of 9% is reduced to 5%.

The rate reduction applies to the following:

- Hotel, tourist and other similar accommodation;
- Restaurant and catering services;
- Transport of passengers and their accompanying luggage within the Republic with a taxi or a bus.

Businesses affected by the above need to take action to ensure the change in VAT rate is correctly reflected in their accounting systems to avoid problems in future VAT audits.

The Cyprus Tax Department confirmed the VAT rate reduction with an [announcement](#) on 26 June 2020.

The Chelco VAT Ltd team of indirect tax specialists is at your disposal should you need any further information or assistance with the above.

Note:

Chelco VAT Ltd is the first VAT-dedicated consulting firm in Cyprus and specialises in strategic VAT planning and VAT compliance. The above is issued as guidance only and should not be solely relied upon to structure business and other transactions without expert advice. Our experienced team at Chelco VAT Ltd, supported by our leading network of associates around the world, is ready to help you handle all your VAT needs and requirements.