



Cyprus – January 2022

TAXATION OF UNDEVELOPED LAND IS LONG OVERDUE 1

Taxation of undeveloped land is long overdue

For the last 15 years we have been pointing out the need for vacant building plots and development land which is not being used to be taxed.

Approximately 40 per cent of this land in Cyprus is vacant, while at the same time there is a shortage of development land for sale, pushing prices up and making it unaffordable to many people. The rising prices in turn encourage owners to hold on to land to increase their future return. The shortage also results in the state enlarging development zones (usually every 5 years).

So it is with a great satisfaction that we noted that the municipality of Nicosia is suggesting the taxation of vacant land in the Nicosia municipal area, in an effort to encourage development, sales and better planning. The suggestion is a 20 per cent increase. Though this is not enough to achieve their goal, it is a step in the right direction.

The problem which remains is how this tax hike will be enforced. We have to look into the legalities of the proposal and of course there will be a strong reaction from large landowners, such as the church among others, and we expect that petty politics will come into play, especially given the election period.

Taxation would encourage development and control property prices with them increasing every 5 years by approximately 20 per cent.

Plots should be considered unused if over 50 per cent of the building density is vacant.

In addition, buildings which are in a derelict condition or out of use for a continuous period of 5 years, should be classed as vacant land.

At the same time when land cannot be developed, for example due to lack of access, the surcharge of 20 per cent should be passed on to the withholding land.

We expect a lot of objections, but other countries, like the UK, have adopted even stricter measures, where vacant properties give the municipality the right to take them over in order to accommodate homeless people.

The Nicosia municipality has also suggested it should be the duty of building owners to provide a certificate showing that their structural condition is sound for public health and safety purposes.

Unfortunately, these type of measures are difficult to implement when governments don't hold a majority in parliament.

This is a good effort by the mayor and the council of the municipality but perhaps due to the resistance it will face there should be a grace period of five years once it comes into effect.

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