

VAT Public Publication on Change in the permitted use of Building



The Public clarification clarifies the VAT treatment of the sale of Building and the subsequent use thereof by the purchaser

The sale of a building constitutes the supply of a **single indivisible** good at the date of supply. If the purchaser subsequently changes the permitted use of the building, it does not impact on the VAT treatment of the preceding sales

Where a building was sold as a serviced/hotel apartment and the purchaser subsequently change the permitted use of the building to residential use only

- The preceding sale will remain subject to 5% VAT and the purchaser should not account for VAT on subsequent Exempt supply

If a building was sold as a residential building but the permitted use is subsequently changed to use as a serviced/hotel apartment

- The treatment of preceding sale will be exempt or zero rated while purchaser will be required to account for VAT on subsequent Sale

Purchaser - Acquisition of a residential building and the subsequent supply thereof

If the seller sold a residential building to a purchaser who subsequently leases or sells the building to a third party, two separate supplies occur, i.e.

First Supply

- The seller supplies the residential building to the buyer on the date of supply as determined under the general date of supply rules. Thus it would be Exempt or Zero Rated supply as per law

Second Supply

- The purchaser leases or sells the building as a principal place of residence to a third party. This supply is exempt from VAT under Article 46(2) of the Decree-Law; or

Serviced apartment

- If the purchaser amend the permitted use to lease or sell the building as a serviced or hotel apartment to a third party. This supply is subject to 5% VAT

Purchaser - Acquisition of a non-residential building and the subsequent supply thereof

If the seller sold a non-residential building to a purchaser who subsequently leases or sells the building to a third party, two separate supplies occur

First Supply

- The seller supplies the building to the buyer on the date of supply as determined under the general time of supply rules. This supply is subject to 5% VAT if the seller is a Taxable Person;

Second Supply

- The purchaser amends the permitted use of the building and leases or sells the building as a principal place of residence to a third party, i.e. as a 'residential building'. This supply is exempt from VAT

Serviced apartment

- The purchaser leases or sells the building as a serviced/hotel apartment to a third party. This supply is subject to 5% VAT if the purchaser (owner of the building) is a Taxable Person



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