

## 1. GOVT URGED TO FIGHTS EC'S RULING ON PROPERTY VAT

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THE finance ministry will collect more data as part of its drive to persuade the European Commission to agree to the Republic's proposal for the continuation of the arrangement for reduced VAT on the first residence.

Cyprus has been in dispute with the Commission over the VAT discount it offers for the purchase of a primary residence and last July an infringement procedure was set in motion that could end in a fine being imposed against Cyprus by the European Court.

Under the current arrangement, a buyer pays 5 per cent VAT on the first 200 square metres of a house or apartment of total area of 275 square metres. The Commission wants the 5 per cent discount to apply for the first 140 square metres of a 200 square metre residence.

Speaking after Monday's discussion of the issue at the House finance committee, its president, Christiana Erotokritou said the Commission rejected Cyprus' proposal insisting that its terms were adopted.

The committee, Erotokritou said, asked the finance ministry to collect more data to strengthen Cyprus' case and challenge Eurostat's findings, that the average residence was 140 square metres in area, did not reflect the housing conditions in Cyprus. She also

said that the measure should be linked to the total price of a first residence.

The government had submitted a bill that was in line with the Commission's directive but the majority of the parties oppose it, insisting the original arrangement remain in place.

Dipa deputy Alecos Tryfonides also bemoaned the fact that the Commission insisted on a transitional period for the lower VAT that would have a specific expiry date.

Tryfonides said Dipa was opposed to the government's bill, but "will wait for the conclusion of the new consultations between the finance ministry and the VAT committee of the European Commission, before finalising our position."

Greens deputy, Stavros Papadouris, said the "small positive step would be to secure a transitional period" while "the big negative" was that the Commission did not share the concerns of Cyprus.

The Technical Chamber (Etek) was also in agreement with the parties. Etek president Constantinos Constanti said the government should document its position at the Commission, because if the Commission's 140-200 square metres proposal was approved, it would constitute "a stab in the dreams of many young couples to buy their own home".