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INFORMATION BULLETIN

For foreign nationals who wish to buy property and obtain Permanent Residence in Cyprus

A. The Cyprus Land and Building Developers Association

The Cyprus Land and Building Developers Association (*LBDA*) was founded in 1983 and is a member of the Cyprus Employers and Industrialists Federation (OEB) and of the International Real Estate Federation (FIABCI). It is the only Association of its kind, with members from all cities and covers 90% of the property industry in Cyprus.

B. Facts and figures about Cyprus

Location:	South East Mediterranean at the crossroads of three continents
Area:	9.251 sq km
Climate:	Temperate, Mediterranean with hot dry summers and mild winters
Population:	862,000 (2011)
Capital:	Nicosia
Religions:	Christian Orthodox, Muslim, Armenians, Maronites, Catholics
Official languages:	Greek, Turkish (English widely spoken)
Legal System:	Common law
Government:	Independent sovereign Republic with a presidential system
Economy:	Services-oriented market economy
Competitiveness	In 2012-2013 Cyprus ranks 58th among 144 economies (World Economic Forum, Competitiveness Index, 2012-2013)
Doing Business:	Cyprus ranked 36 th among 185 economies worldwide based on the “Doing Business Report 2013” of the World Bank
Currency:	Euro (€)
Main Sectors:	Financial & Insurance Activities; Real Estate; Professional, Scientific & Technical Activities (2010)
Export partners:	Germany 16%, Greece 12.6%, United Kingdom 8.8%,
Import partners:	European Union 72%, Asia 11%, Middle East 9%, Other EU 3%
Main airports:	Larnaca International and Paphos International
Memberships:	The United Nations (1960). European Union (2004) and Eurozone (2008), The World Trade Organization (1995), IMF (1962), The World Bank (1962), The Commonwealth (1961), The Council of Europe (1961),

C. Why to invest in Cyprus

1. European Union Member State located at the crossroads of three continents.
Cyprus became a full member of the EU in 2004 and four years later it joined the Eurozone after satisfying the relevant entry requirements. Cyprus is well known for its comfortable standard of living, low crime rate and comparatively low cost of living. According to the latest publication of the Human Development Index (HDI), a measure of the standard of living of a country, published by the UNDP, in 2011, Cyprus ranked as the 31st highest in the world (among 187 economies).
2. Advantageous tax environment
Lowest corporate tax in Europe at 10%, as well as a number of double taxation agreements ensuring that income is not taxed in more than one country at the same time.
3. Broad network of legal, accounting and banking services as well as highly qualified and multilingual labour force.
4. Favorable business climate and a fully liberalised foreign investment regime.
5. Strong location for a second home, permanent residence or property investment.

D. The property market in Cyprus

1. Compared to many countries, Cyprus has attractive property buying procedures. People of Cypriot origin and EU citizens are allowed to purchase property without restriction. A non-EU citizen or couple is entitled to ownership of
 - (a) a piece of land of up to 4,000 sq.m. to build on own residence of any size,
 - (b) two adjacent residences in the same development which may be united horizontally or vertically,
 - (c) two adjacent properties in the same development consisting of one residence and an office of up to 250 sq.m. or a shop of up to 100 sq.m.

International business units may also acquire premises for their activities or for residence of their foreign employees.

2. The legal system in Cyprus is modelled on the British system known as Common law. In addition, with EU membership, Cyprus has harmonised its laws and regulations with the *acquis communautaire*.
3. The Land Registry system is one of the most advanced and reliable systems in the world, being based on the British equivalent.
4. Having signed a contract to buy a property, a non-Cypriot non EU Country national will file an application to the relevant District Office to grant its approval to register immovable property in his/her name, such application usually being approved in a few days.

E. Title Deeds in Cyprus

1. Transfer of ownership from Vendor to Purchaser is a simple procedure through the Cyprus Land Registry Office, either by the buyer in person or by appointing a third party with a power of attorney.
2. When the individual Title Deeds for a property are issued, they are in the name of the Developer, who then transfers the Title Deed of each unit in the names of the Purchasers. From the minute a Contract of Sale is deposited to the Land Registry Department, the Purchaser secures the right to apply to register the property in his/her name.

F. Permanent Residence in Cyprus

It applies to all third country nationals (not to E.U. nationals)

1. Investment / Financial Criteria

- (a) The applicant should submit a confirmation letter from a financial institution in Cyprus that he has deposited a minimum capital of €30.000 into an account, which will be pledged for a period of at least three years. It must be proved that the said amount has been transferred to Cyprus from abroad.
- (b) The applicant, together with his spouse, should prove that they have at their disposal a secure annual income of at least €30.000. This annual income should increase by €5.000 for every dependent person. This income should derive from abroad, and may include salaries from employment, pensions, dividends from shares, fixed deposits, rents a.s.o. .
- (c) The applicant should submit, with the application, title deeds or a contract of sale in his name and/or his spouse, which has been officially deposited with the Department of Lands and Surveys, for a dwelling or other building, of a total market value of at least €300.000 (V.A.T. is not included therein) and official receipts for the payment of at least €200.000 (excluding V.A.T.), irrespective of the date for the delivery of the dwelling. It should be stressed that the full payment of the value for the dwelling shall be settled in an account in a financial institution in Cyprus.

The abovementioned amounts must be proven to have been transferred to Cyprus from abroad.

It is noted that the purchase of a dwelling may be accepted even when made in the name of a Company and not in the name of the applicant, provided that the Company is registered in the name of the applicant and/or in the name of the applicant and his spouse and he/they are the sole shareholders. In the event that the shareholder of the company is another legal entity, it must be proven that the sole shareholder of the said legal entity is the applicant and/or the applicant and his spouse.

- (d) For the purpose of implementing this policy, the applicant may purchase up to two housing units (apartments or houses) which might be independent, or one housing unit and a shop of a surface of up to 100 sq.m., or a housing unit and an office of a surface of up to 250 sq.m., provided that the total market value satisfies the conditions in paragraph (c) above. In the case of a couple, these restrictions apply for the couple and not for each of the persons involved.

The said purchase must be in relation to a dwelling (and the combinations described above) sold for the first time by a development company. In the case of acquiring two dwellings, both must be sold by the same company. As from **7th May 2013**, for the purpose of this policy, applications in relation to the re-sale of dwellings will not be accepted. It should be stressed that contracts of sale in relation to a re-sale of dwellings that have been officially deposited with the Lands and Surveys Department prior to 07/05/2013 (the date of depositing the contracts of sale is to be confirmed by the Department of Lands and Surveys), shall be accepted for the purpose of implementing this policy.

- (e) The Immigration Permit issued to an applicant cover his spouse and children under the age of 18. Unmarried children aged between 18 and 25, who may prove that they are students or undergraduates and are financially dependent on the applicant, may submit a separate application to obtain an Immigration Permit. In such a case, the father or mother and/or both parents together must present an additional annual income of €5.000 for every such dependent child. It is noted that every such dependent child, shall submit with his application, all the documentation defined in paragraph 6.

Such an immigration permit shall be valid until the age of 25 of the dependent child. In the event that such a person wishes to obtain a new immigration permit, this person must apply on the basis of the applicable criteria as an independent person.

- (f) An immigration permit may also be granted to children of the applicant over the age of 18, who are not financially dependent on the applicant, provided that the market value of the acquired property attributed to each such child is at least €300.000 (excluding V.A.T.), as described in paragraph 1.3 hereinabove, (e.g. in the event the applicant has a child that is 30 years old and wishes to obtain an immigration permit, the applicant must purchase a dwelling valued at €600.000, if the applicant has 2 adult children, financially independent, he must purchase a dwelling valued at €900.000 etc). In such an event a confirmation of payment for the 66% of the market value of the dwelling must be submitted with the application (e.g. €400.000 for a dwelling of a market value of €600.000).

Provided that in such an event each child shall submit the necessary documentation with his application (e.g. secured annual income of €30.000, a deposit in a financial institution in Cyprus amounting to €30.000, which is bound for 3 years).

2. Qualitative Criteria

- (a) The applicant and his spouse must submit a confirmation of a clean criminal record from their country of residence and generally they should not be considered as a threat in any way to the public order or public security in Cyprus.
- (b) The applicant and his spouse shall confirm that they do not intend to be employed in Cyprus in any direct or indirect manner.

It is to be noted that the applicant and/or his spouse may be a shareholder(s) in a Company registered in Cyprus and the income from the dividends of such a company in Cyprus are not deemed an impediment for the purpose of obtaining an immigration permit.

- (c) The applicant and his family included in the Immigration Permit, must visit Cyprus at least once every two years.
- (d) All the necessary documentation, that is attached to the application for an immigration permit, including the translation of the same into the Greek or English language, must be duly certified.

3. Procedure for the Submission and Examination of an Application

- (a) Applications must be submitted directly to the Civil Registry and Migration Department (CRMD), personally or through an agent (relevant telephone numbers are 22-403921 and 22-403943). A fee of €500 is payable with the submission of the application.
- (b) Applications that are submitted in Cyprus, either personally or through an agent, shall be submitted in a standard envelope (every document of the application shall be punctured and inserted in the envelope and numbered in blue ink from the first page of the application to the last page, at the responsibility of the person submitting the application). The envelope shall also include a list of the documents submitted with the application, including any other supplementary documents, to be completed by or on behalf of the applicant.
- (c) The application shall be processed by the CRMD and be submitted to the Minister of Interior, through the Permanent Secretary of the Ministry of Interior (MOI). An interview with the applicant shall take place only in when it is deemed necessary by the Permanent Secretary of the MOI.

- (d) The Ministry of Interior shall notify the applicant or his agent and the CRMD as to the decision of the Minister of Interior.

4. Transitional Provisions

Upon publication of the present policy, any third country national who has submitted an application for a category F Immigration Permit may, if he so wishes, submit to the CRMD supplementary details proving that the criteria in paragraphs 1 to 4 in the present policy are satisfied in a new application, so that the application will be processed in accordance with the provisions of Regulation 6(2) of the Aliens and Immigration Regulations and on the basis of the above criteria and the relevant procedure.

5. Time schedule for issuing an Immigration Permit

It should be stressed that, provided the criteria of this policy are satisfied and there are no reasons with regard to either the criminal record of the applicant or to public order and public security issues, the application shall be examined by the Minister of Interior in a positive manner and an immigration permit shall be issued.

It is estimated that the procedure described in this policy statement for the examination of the application shall not exceed 2 months from the date of the submission of the application,.

6. Application Forms

The following forms are available electronically at www.moi.gov.cy

- Application form (M 67)
- Checklist of the documents submitted with the application
- Checklist of the documents submitted with the application for adult children in accordance with paragraph 1(e)
- Affidavit as to the annual income of the applicant, with other supporting evidence
- Official declaration as to the confirmation of non-employment of the applicant in Cyprus

G. Payment of VAT at a reduced rate of 5% instead of 18%

It applies to all foreign nationals (European and third country nationals)

1. The terms under which a buyer is entitled to a 5% VAT in general lines are as follows:
 - (a) The Property is under construction or completed and subjected to VAT (All buildings for which the town planning application was submitted on or after the 1/5/2004 are subjected to VAT).
 - (b) The Property is designated to be used as the residence of the buyer in Cyprus.
 - (c) The Property bought has not been used before.
 - (d) It must be used (in the case of ready made property) or intended to be used (in the case of property under construction) as the main and permanent place of residence of the buyer in the Republic (the buyer is not required to make Cyprus his/her permanent residence, but only to use the property as permanent space of residence, when in Cyprus).
 - (e) The VAT reduction applies only to the first 200 sq.m. of houses which do not exceed 275 sq.m.

- (f) The applicant must not have another property as permanent residence in Cyprus.
 - (g) Applicant must submit an application and attach among other
 - i. Contract of Sale in case of purchase or a Contractors Contract in case of building a house (in the latter case a declaration by the building contractor is submitted that he is licensed to build the house).
 - ii. Proof of ongoing construction in case of building a house
 - iii. Architectural plans
 - iv. Proof that the applicant is using the house as a place of residence such as various bills. In the case of houses under construction, the bills or other proof of use must be presented within 6 months from the date of possession of the house.
 - v. Any other supporting data.
2. A copy of the application certified by the Authority to which it was submitted, is delivered to the seller or the building contractor, as the case may be, who is obliged to apply thereon the reduced VAT of 5%.
 3. In any case that it is subsequently revealed that the applicant was not entitled to a reduced VAT, such person must pay the full amount of VAT.
 4. In any case that the entitled person ceases to use the house as a place of residence at any date before the completion of a 10 year period, such person must within 30 days from such date inform the VAT Director and to pay the amount of VAT corresponding to the part of the 10 years period during which the house was not used as the place of residence.

H. Non-Payment of Transfer Fees or Payment of 50% of Transfer Fees

It applies to all foreign nationals (European and third country nationals)

1. Transfer fees are paid when a property (house, flat, shop, office, land) or rights thereon are transferred from one person to another and are a percentage on the value of the right transferred, as specified in the relevant contract or in certain cases by the Lands Office.

Transfer fees are as follows:

<u>Value of Property</u>	<u>Fees</u>
€ – 85.430	3%
€85.431 – 170.860	5%
€170.861–upwards	8%

2. On 2/12/2011 a new law was introduced in Cyprus which provides the following:
 - (a) No transfer fees will be paid in case that VAT was paid for the same sale of the same immovable property and such sale is made between the 2/12/2011 and 31/12/2014.
 - (b) Reduction to 50% of the transfer fees in case where VAT was not paid but the following terms and conditions apply:
 - (i) It is the first sale of such property registered with the Land Registry Office after the issuing of the Town Planning Permission or the Building Permit.
 - (ii) The relevant Contract of Sale has been signed and deposited for specific performance to the District lands office within the period from 2/12/2011 until 31/1/2014.
 - (c) If the above (a) and (b) conditions are fulfilled, the date of actual transfer of the property may take place at any time.

I. Obtaining Cyprus Nationality

It applies to all foreign nationals (European and third country nationals)

1. By Naturalisation

Requirements:

- (a) 7-year legal stay in Cyprus with 5 years as a minimum number of cumulative stay in Cyprus
- (b) Continuous stay in Cyprus during the year preceding the date of the application
- (c) Clear criminal record
- (d) Intention to stay in the Republic permanently

2. By Marriage to a Cypriot

Requirements:

- (a) Completion of 3 year married life, 2 years stay with the Cypriot spouse in the Republic.
- (b) Good character (clear criminal record).
- (c) Has not entered or remained illegally in Cyprus

3. By exception

A decision taken by the Cyprus Authorities in 2007 and revised in 24th May 2013 has set new economic criteria for obtaining nationalisation by exception which are as follows:

(a) **Mixed Investment and a Donation to a State fund**

The applicant must have made the following investments and donation:

- (i) an amount of at least €2,0 million for the purchase of shares and/or bonds of the Investment company of the state under formation and

Provided that the applicant may deposit the said amount with the Treasury of the state until the shares and/or bonds of the said company are issued.

- (ii) an amount of at least €0,5 million as a donation to the Research and Technology Fund

or

(b) **Direct Investments**

The applicant must have direct investments in Cyprus of at least €5,0 million. Direct Investments may alternatively involve the following:

- (i) the purchase of properties (houses, offices, shops, hotels etc or a development of a similar nature, excluding underdeveloped land),
- (ii) the purchase of businesses or companies that are based and are active in the Republic of Cyprus
- (iii) the purchase of companies registered in the Republic of Cyprus
- (iv) the purchase of financial assets (e.g. bonds / securities / debentures registered and issued in the Republic of Cyprus, including those to be issued by the Solidarity Fund on the basis of the Establishment of a National Solidarity Fund Law of 2013)
- (v) participation in a company/ consortium of companies that has undertaken to carry out a public project

Provided that with regard to conditions (a) – (d), the applicant shall retain the said assets in his possession for a period of at least three years. In the case of a share or bond portfolio, it is to be ensured that the amount of the value of the portfolio for the said period will not fall below the amount specified.

Provided further that the Minister of Interior shall have the right, for the period ending on 30 June 2014, to reduce the amount required for Direct Investment to €2,0 million for non-Cypriot citizens, who demonstrably participate in a special collective real estate purchase

scheme, which will comprise the purchase of property on the territory of the Republic of Cyprus, controlled by the Government of the Republic, of a total value of at least €10,0 billion.

or

(c) **Deposits in banks**

The applicant must have personal fixed term deposits for three years in Cypriot banks or deposits of privately owned companies or trusts (in which he/she is the beneficiary owner) in the Republic of Cyprus of at least €5,0 million

or

(d) **A Combination of Mixed Investments and a Donation to a State Fund (a), Direct Investments (b) and Deposits in Cypriot Banks (c):**

The applicant is required to have a combination of the above amounting to at least €5,0 million

or

(e) **Business Activities**

The applicant must be a shareholder or beneficiary owner of a company (or companies) the management of which is in the Republic of Cyprus and that over the last 3 years prior to submitting the application has paid to State Funds (corporate tax, V.A.T. or other fees and charges etc) and remuneration for the purchase of business services (legal, accounting, auditing) as amount of at least €500.000 per annum.

Alternatively in the case where the applicant is a shareholder or beneficiary owner of a company (or companies) that is active in Cyprus, has established its central offices in Cyprus and employs at least five (5) Cypriot citizens, then the minimum amount that must be paid for the above (direct revenue – corporate tax, V.A.T. or other fees and charges etc and remuneration for the purchase of business services – legal, accounting, auditing) is reduced to at least €350.000 for the last three years preceding the submission of the application.

In the case where the applicant is a shareholder or beneficiary owner of a company (or companies) that is active in Cyprus, has established its central offices in Cyprus and employs at least ten (10) Cypriot citizens, then the minimum amount that must be paid for the above (direct revenue – corporate tax, V.A.T. or other fees and charges etc and remuneration for the purchase of business services – legal, accounting, auditing) is reduced to at least €200.000 for the last three years preceding the submission of the application.

For every such company (or companies) applications for naturalisation may be submitted by a maximum of two (2) shareholders, who preferably hold the majority of the share capital.

In the case where the applicant has paid the Cyprus economy direct revenue or fees (as described hereinabove) an amount less than the abovementioned amounts, a combination may be made with criteria (Mixed Investments and Donations to State Funds) or (Direct Investments) or (Deposits in Banks). The total of payments to State Funds and remuneration for services in the last three years shall be deducted from the required investment to satisfy criteria (a) or (b) or (c).

or

(f) **Persons whose deposits with the Bank of Cyprus or Popular Bank have been impaired due to the measures implemented in both Banks after the 15th March 2013**

The applicant has incurred an impairment in deposits on one or both of the abovementioned Banks amounting to a total of at least €3,0 million.

In the case where the applicant has incurred an impairment in his deposits in one or both of the abovementioned Banks under €3,0 million he may apply having made an Additional Direct Investment (b) or Mixed Investments or a Donation to a State Fund (a) for the balance of the required amount of the said criterion.

Further to the above criteria, the applicant must

- Be at least 30 years old
- Be the owner of a permanent house in Cyprus the market value of which must be at least €500.000 plus VAT
- Have a clear criminal record
- Not be included in the list of persons against whom a property detention order exists within the European Union.

The applicant must complete the M127 form which can be obtained electronically at www.moi.gov.cy

Important Note

This Information Bulletin was issued on 24/5/2013, contains only general information and is subject to changes from time to time. Foreign Nationals interested to buy property in the Republic of Cyprus should seek professional advice.