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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. The Ministry of Interior of the Republic of Cyprus issued an announcement on 23/8/2012 that Immigration Permits (Permanent Residence) will be issued to foreign nationals under the following terms:
 - (a) The applicant can prove available secured annual income of at least €30.000, increased by €5.000 for each dependant person, such income originating from salaries, pensions, dividends, deposits, rents etc. generated outside Cyprus. Dependants are the spouse and children under 18 years of age.
 - (b) The applicant must submit with the application
 - a title of ownership or
 - a contract deposited with the Department of Lands and Surveys for the purchase, of a house/flat or other building at a selling price of at least €300.000 (net of VAT) with proof of payment of at least €200.000 transferred from abroad. It is also acceptable to purchase two adjacent properties in the same development which may be united, consisting of two residencies, or a residence and a shop of up to 100 sq.m., or an office of up to 250 sq. m. provided the combined selling price is at least €300.000 (net of VAT).
 - (c) The applicant must submit confirmation letter by a Cypriot Bank of a deposit of at least €30.000 transferred from abroad which will remain in a deposit account for at least 3 years.
 - (d) The applicant must submit a certificate of unblemished (clear) criminal record from its country and generally should not present in any way any threat for public order and security in Cyprus. Clean criminal record has to be provided also by children over the age of 16.
 - (e) The applicants must submit a statement that he or she does not intend to work or be engaged in any firm of business in Cyprus.
 - (f) After the Permit is granted the applicant must visit Cyprus at least once every two years.
2. Applications must be submitted on Form (M67) personally, by post or through a representative to the Civil Registry and Migration Department or the District Office and shall be processed (according to the Ministry) within 2 months. Interview will not be necessary unless otherwise decided in certain cases.
3. Each relevant document must be numbered with blue ink, from the first to the last page.
4. It is underlined by the Ministry that if the terms of p/ph 1 are observed and there are no reservations regarding the criminal record or public security, the application shall be favourably examined and the Permit will be issued.
5. Applicants from third (not E.U.) countries need a permit to register a property in their name. For further information regarding such permit, applicants are directed to p/ph 1 of Section D, page 2 of this Bulletin

The Announcement of the Ministry of Interior of Cyprus and the following document which must be submitted, can be found in the Web site of the Ministry www.moi.gov.cy

- Application Form M.67
- Check List
- Affidavit
- Statement that the Applicant is not employed 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>
€1 – 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 2011 has set new economic criteria for obtaining nationalisation by exception which are as follows:

- (a) Direct Investment in Cyprus being purchase of immovable properties or businesses/ companies or shares or other property assets of at least €10 million.
or
- (b) Business Activities in Cyprus of an owner of company/companies who, during the last 3 years before the year of application has performed business of at least €10 million per year and 1/3 of the company employees are Cypriot nationals.
or
- (c) Introduction on a significant scale of new technologies, or established of significant Research Centres in Cyprus
or
- (d) 5 year fixed deposits of at least € 15 million in Cyprus Banks
or
- (e) Direct income/remuneration for services in Cyprus by owner of Company(ies) managed in Cyprus and payment of at least €500.000 per year for 3 years of income tax or for obtaining business, services (i.e. legal, auditing, accounting, banking, etc)
or
- (f) Combination of direct investment, business activities and deposits in Cypriot Banks of €15 million as specified above totally to €15 million.

Further to the above criteria, the applicant must

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

Important Note

This Information Bulletin was issued on 12/12/2012, 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.