



ISSUES RELATING TO FOREIGN INVESTMENT

CYPRUS

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CONTACT INFORMATION

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1. Is state governmental permission required for foreign investors to acquire real estate? If so, please identify.

Third country nationals (i.e. non-EU citizens and corporate entities) have restrictions on owning immovable property in Cyprus.

According to the Acquisition of Immovable Property by Aliens Law, Cap. 109, as amended, the acquisition of a secondary residence (i.e. holiday home or office premises for foreign entities) in Cyprus by third country nationals, is subject to limitations as regards the maximum size of the land (approx. 4000m²) and the number of properties that can be purchased (only 1). Moreover, family members cannot own more than one property unless they are financially independent adults and/or comprise separate family units.

In order to register such property in their name, third country nationals are required to apply for and obtain permission from the local District Administration Office where the property is situated. With the exception of the type and size of the land mentioned above, third country nationals are not entitled to own any other immovable property.

2. Are there other state restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

The above restrictions apply equally to non-EU corporate entities and Cyprus companies owned or run by third country nationals. Foreign entities that have bearer shares cannot own immovable property.

A Cyprus company may invest in land (as opposed to a secondary residence or office premises), for as long as no third country national has a controlling majority on its board or has a shareholding or voting majority of more than 49%, in all cases.

3. Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

For immovable property acquisition other than for a secondary residence, investors from third countries must have a local or EU partner who will hold not less than 51% of the shares and/or the votes and/or the seats on the board of a corporate entity.

4. What state taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

There are no specific taxes for third country nationals. Upon transfer of the property, the Land Registry will collect transfer fees from the buyer on a graduated scale, in accordance with the purchase price (to be assessed by the Land Registry), as follows:

Up to EURO 85,430	3%
From EURO 85,431 to 170,860	5%
Over EURO 170,860	8%

Transfers to spouses and close relatives are subject to minimal transfer fees. Upon sale of the immovable property, capital gains tax is levied at 20% on the gain, which is adjusted to take into account inflation and proven improvement expenses. Natural persons are entitled to a one-off tax deduction of EURO 17,086 while those who have utilised the sold premises as a permanent residence for at least the past five years, are entitled to a one-off deduction of EURO 85,430. There is no one-off capital gains tax relief for legal entities.

VAT at 15% is levied only on new buildings.

5. Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

There are no specific requirements for third country nationals, other than the application (Form Comm. 145) to the pertinent District Administration Office for permission to register property in their name. In the case of new or under

construction buildings, a building permit will need to accompany the application. It is not possible to complete the registration of the property in the name of a buyer, if the

property does not have a separate title deed. For new developments, the issue of separate title deeds may take two or more years, depending on the District.

In such a case, the contract of sale should be stamped by the office of the Commissioner of Stamp Duty and lodged with the Land Registry for Specific Performance purposes, within two months from signing. The lodging of the contract creates an encumbrance against the property and the Vendor cannot sell, transfer or mortgage it without the buyer's written consent.