

BUYING GUIDE

# CYPRUS

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## CYPRUS ALLURE

### WHY BUY IN CYPRUS?

**CYPRUS is a Mediterranean island with 320 days of sunshine a year and some of the cleanest bathing waters in Europe.**

Cyprus, a member of the European Union and the Eurozone, offers an alluring combination of high quality of life and a low cost of doing business. International buyers account for over 40% of all real estate transactions\* in Cyprus.

Thanks to the recent discovery of hydrocarbons in its Exclusive Economic Zone, Cyprus now has the prospect of becoming an energy hub in the Eastern Mediterranean. In recent years, Cyprus has attracted worldwide interest and significant investment from leading energy giants, as well as other providers in the oil and gas industry. This industry has and will continue to grow, with companies setting up and expanding operations in Cyprus, relocating key management, and attracting highly qualified personnel, thus increasing the demand for quality real estate.

Local regions include vibrant and cosmopolitan Limassol, charming and archeology-rich Paphos, historic and transportation hub Larnaca, bustling and cultural Nicosia, as well as touristic and luxurious Famagusta. Irrespective of where you choose to invest or buy your next home, the modern infrastructure network makes travel within or beyond Cyprus fast and efficient.

The legal system is heavily influenced by English Common Law, which makes acquiring property in Cyprus a straightforward process. Moreover, the Cypriot government has established incentives to encourage international investments.

\*Land Registry Data 2019



## CITIES IN CYPRUS

### NICOSIA

The capital, with its impressive 16th century Venetian walls and moat, is the administrative, financial, religious, and higher education hub of the island. Therefore, it often attracts investment-focused real estate buyers. Cosmopolitan and bustling, Nicosia inconspicuously blends the modern with the traditional. Art, culture, leisure and nightlife options are a mixture of the popular and the exclusive, with trendy bars hidden away in the revitalised and historic old city. Nevertheless, a beach or mountain escape is always less than an hour's drive away from the island's only non-coastal city.



### LIMASSOL

Dynamic, energetic and cosmopolitan, Limassol is a thriving centre for international business and the hub of the country's shipping industry. Luxurious high-rise developments now adorn its coastline and have been drawing in business executives and high-end property buyers alike. The city is home to the Limassol Marina, a €350 million waterfront development, and City of Dreams Mediterranean, Cyprus' first integrated casino resort - the only one of its kind in Europe - which is expected, once open, to attract an additional 300,000 tourists annually.



### LARNACA

With a history dating back 4,000 years, Larnaca is compact, easily accessible and truly authentic. It is the obvious choice for those seeking affordable real estate on the Mediterranean coast. The city is a convenient base for many international businesses as it is home to the island's main international airport, has a port, as well as fast access to all other regions of Cyprus through an excellent highway network. Larnaca has a palm-lined promenade, stretches of sandy beaches hosting leisure and sporting facilities, whereas the famous dive wreck Zenobia, ranks as one of the top 10 wreck dives in the world.



### PAPHOS

Named as Europe's 2017 Culture Capital by the European Commission, Paphos has a well-established expat community and is a popular retirement destination for internationals. Paphos International Airport provides excellent connections and affordable flights for all those seeking to enjoy the city's archeological sites, spectacular mountainous countryside, world-class golf courses, and hillside villages overlooking the crystal waters of the sea. Nature-lovers also flock to the Akamas National Park for breathtaking views, wide sandy beaches, and gorge walking. Deservedly, Paphos attracts the lion's share of interest by foreigners buying real estate in Cyprus.



### FAMAGUSTA

Famagusta's Ayia Napa and Protaras are the island's most popular holiday resorts, attracting visitors and second home buyers from the world over. There are 25 Blue Flag beaches on Famagusta's coast. A couple of the beaches proudly feature in Tripadvisor Travellers' choice top 25 beaches of Europe and the World in 2020. The breathtaking Cape Greco, a nature reserve peninsula, has numerous walking and cycling trails across limestone cliffs, rock formations and sea caves. Famagusta is set to be the home of Paralimni Marina, a world-class residential development furnished by Armani / Casa with a new 300-berth marina, that will transform the region become a destination for luxury and adrenaline-seeking boat lovers.

# RESIDENTIAL PROPERTY TYPES

## HIGH-RISE TOWERS

Cyprus' cities are soaring upwards to provide world-class, high-end living, in every sense. Shimmering beachfront towers designed by world-leading architects are fast becoming prestigious residential landmarks. Mostly set on the shoreline, these towers provide ultra-luxury indoor and outdoor living spaces, magnificent interiors, lavish private swimming pools, superb rooftop terraces, and bustling inner plazas. For your peace of mind, these apartments come complete with a property management proposal so you can enjoy the breathtaking views and the exclusive amenities on offer.

## MARINAS

Modern, high-end apartments and luxurious villas to enjoy sea-view vistas and the full benefits of marina living. The marinas are generally positioned on beach-side locations or close to the crystal clear waters of blue-flag beaches offering a blend of speciality shops, marine sector retail, bars, premium restaurants, spas, fitness centres, and water activities. Yachters with a discerning taste for class and elegance, and their friends, will enjoy the fully serviced marina facilities (shore power, fuel, dry stack storage), some even complete with a port of entry into Cyprus.

## SEAFRONT VILLAS

Seafront villas are the most sought-after properties on the coast of Cyprus as they are a popular choice for investment, holiday homes or primary residence. Beachfront villas generally provide a high return on investment, a reliable income stream, and access to a delightful beachside hotspot. Investors purchase seafront villas that can be rented during Cyprus' long holiday season, stretching from April to November, to visitors craving Europe's cleanest bathing waters, sunshine, space and privacy with unpretentious luxury.



HIGH-RISE TOWERS



MARINAS



SEAFRONT DEVELOPMENTS



BRANDED RESIDENCES

## BRANDED RESIDENCES

Branded residences are becoming popular on the Cypriot coast. Offering breathtaking views of the Mediterranean Sea, a handful of mixed developments are taking shape. Branded residences will benefit from all the hotel's amenities and services: lounges, gyms, swimming pools, kid's playground, and lush gardens. Residents can welcome their guests around a barbecue while soaking in sea views. Residence owners will have the privilege to enjoy à la carte services including housekeeping, room service, laundry services, concierge and other personalised services.



GOLF COURSE RESORTS

## GOLF COURSE RESORTS

Golf on a championship course, a stone's throw from the Mediterranean Sea, where the fairway is an extension of your villa's front garden. Cyprus has produced high-end developments with world-class, 18-hole golf courses often with panoramic sea-views. Villas and apartments on golf courses are a fantastic lifestyle choice designed for those looking for nature, style, and quality combined. Golf developments offer top quality properties, an exciting food scene, enjoyable social events, the latest golf apparel and luxurious spas, after a rewarding day of teeing off.



BOUTIQUE DEVELOPMENTS

## BOUTIQUE DEVELOPMENTS

Cyprus offers a premium selection of individually designed villas and boutique style residences to suit all budgets and meet any specifications. The options are endless: striking and spacious interiors, heated infinity swimming pools, panoramic roof terraces, landscaped gardens, 5-star communal services, a friendly and laid-back resort, private underground car parking, intelligent villas with remotely controlled appliances. Enjoy it yourself or rent it out to visitors flocking to Cyprus for dazzling blue-flag beaches, fine dining, shopping, and incredible snorkelling spots that are just waiting to be explored.

# BUYING REAL ESTATE IN CYPRUS

## STEP-BY-STEP PROCESS



### 01\_PROPERTY RESERVATION

The buyer makes an offer to purchase a property at a specific price. The buyer pays a non-refundable reservation fee and the vendor takes the property off the market for an agreed period of time.



### 02\_LAWYER APPOINTMENT

Although not legally mandatory, it is highly recommended to appoint an independent lawyer.



### 03\_CONVEYANCING / DUE DILIGENCE

Your lawyer will perform the necessary checks to confirm ownership and verify the existence of a freely transferable title.



### 04\_CONTRACT NEGOTIATION AND EXECUTION

Your lawyer will review (or draft) contracts of sale, help with negotiations and ensure the contract is duly executed.



### 05\_APPLICATION FOR A REDUCED VAT RATE

A standard VAT rate of 19% applies to new build properties and development land (Second hand properties are exempt of VAT). You are eligible to apply for a reduced VAT rate of 5% for a primary residence, subject to terms and conditions.

### 06\_REGISTRATION OF THE CONTRACT OF SALE (CoS) AT THE LAND REGISTRY OFFICE (LRO)

Registration provides the buyer maximum protection under the law. After this step, buyers may resell their property, even prior to separate title deed issuance.



### 07\_APPLICATION FOR PERMISSION TO ACQUIRE IMMOVABLE PROPERTY IN CYPRUS

Applies only to non-EU citizens and must be done only prior to the title deed transfer.



### 08\_TRANSFER OF TITLE DEEDS

Once separate title deeds are ready, the buyer and seller present themselves at the Land Registry office to complete the transfer. If applicable, the buyer pays transfer fees.



# BUYING REAL ESTATE IN CYPRUS

## THE PROCESS IN DETAIL

### Purchasing property in Cyprus is a straightforward process

#### 1. PROPERTY RESERVATION

The reservation fee depends on the purchase price and typically ranges between €5,000 and €10,000. Your sales agent or lawyer holds the reservation amount until the contract of sale is signed. The reservation fee takes the property off the market and fixes the sale price. If the sale proceeds, the reservation fee is applied towards the purchase price.

#### 2. LAWYER APPOINTMENT

Legal services could comprise due diligence, CoS review and/or preparation, contract negotiation, contract exchange/completion, registration of the CoS at the LRO, Representation at the LRO for the title transfer, Application to the Tax Authorities for reduced VAT, and application for permission to buy immovable property in Cyprus. For the due diligence and conveyancing (from contract review to contract execution) legal fees are typically approximately 1% of the purchase price (minimum and maximum fees may apply).

#### 3. CONVEYANCING / DUE DILIGENCE

It is highly recommended that due diligence is completed prior to contract signing. Your lawyer will conduct a search at the LRO to establish that the seller is the rightful

owner of the property and whether the title has any legal encumbrances that could potentially inhibit a sale. If the property is a piece of land the lawyer could search and verify the applicable zone, building capacity and allowable building density. For properties that do not yet have separate title deeds, your lawyer can check with the relevant authorities to verify that the necessary planning and building permits exist. Where the vendor is a company, your lawyer can complete the requisite search at the Registrar of Companies.

#### 4. CONTRACT NEGOTIATION AND SIGNING

A CoS is a private agreement between you and the seller. The seller will typically provide the CoS for you (and your lawyer) to review. Occasionally the buyer's lawyer may need to draft the CoS. CoS are in English. Where necessary, your lawyer could arrange for a translation.

Stamp duty: Within 30 days of contract signing, the buyer must pay stamp duty on the contract value as follows

Contract Value	Rate
The first €5,000	0.00%
€5,001 – €170,000	0.15%
Over €170,000	0.20%

A maximum stamp duty of €20,000 applies.

#### 5. APPLICATION FOR A REDUCED VAT RATE

In accordance and in compliance with EU law, all new properties are subject to a standard VAT rate of 19%. However, a reduced VAT rate of 5% applies for the acquisition of a primary residence subject to certain terms and conditions:

- Only physical persons aged 18 or older are eligible to apply
- The property must be used as the primary and permanent residence for the next 10 years
- The reduced VAT rate has not been previously used by the same person
- The reduced VAT rate applies only on the first 200 sqm. The standard rate applies on the remaining sqm.

#### 6. REGISTRATION OF THE CONTRACT OF SALE AT THE LAND REGISTRY OFFICE (LRO)

Once contracts are fully executed and duly stamped, and provided the purchaser pays the first installment (normally 30%-40% of the purchase price), the contract of sale can be lodged at LRO for 'specific performance' (within six months of signing). At this stage the LRO is essentially notified of the buyer's details. Law' protects the buyer by preventing the

The 'Sale of Immovable Property (Specific Performance) Law' protects the buyer by preventing the vendor from reselling or transferring the property elsewhere and from otherwise encumbering the property, for as long as the contract of sale is valid and legally effective. Upon this registration the buyer may resell his property, even prior to separate title deed issuance.

#### 7. Permission to acquire immovable property in Cyprus

Cypriots and EU citizens are entitled to buy immovable property without any restrictions. Non-EU citizens can buy immovable property, however, permission from the Council of Ministers is required. This is primarily a matter of process; the application is submitted along with the signed CoS and approval is typically granted within a month.

The Council of Ministers' approval is not a pre-condition to taking possession of the property.

#### 8. TRANSFER OF TITLE DEEDS

The process to issue separate title deeds for each unit in a development typically takes a few years after the development is completed. A title deed transfer is effected at the Land Registry Office provided that the buyer has

paid all outstanding balances to the seller, pays any applicable transfer fees and taxes to the government and has the necessary permit from the Council of Ministers, if applicable.

It is a simple procedure and lawyers can act on buyers' behalf, pursuant to a Power of Attorney.

Fees are calculated on the sale price accepted by the Department of Land and Surveys as follows:

Property Value	Rate	Fee	Fee
First €85,000	3%	€2,550	€2,550
€85,001 – €170,000	5%	€4,250	€6,800
Over €170,000	8%		Cumulative

Transfer fees apply to the property value per buyer hence total transfer fees on a transaction can be reduced if

a property is bought on joint names. Currently a reduction of 50% applies to the above rates and properties subject to VAT are completely exempt from transfer fees.

#### WITH THANKS TO...

The information in this guide on conveyancing and taxes has been written with the help of Adamos Hadjichristodoulou & Co. L.L.C.

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PLEASE NOTE: This document should be used only as an introductory guide to the taxes and fees relating to Cypriot real estate. It does not in any way constitute legal or tax advice.

## PROPERTY TAXES AND FEES

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### **IMMOVABLE PROPERTY TAX**

No immovable property tax; abolished in 2017.

### **MUNICIPALITY TAX**

Calculated on the property value per the latest government valuation.  
Rates are set by the municipality and are typically between 1‰ and 2‰ p.a.

### **SEWERAGE TAX**

Calculated on the property value per the latest government valuation. Rates are set by the local sewerage board and are typically between 0.5‰ and 3‰ p.a.

### **REFUSE COLLECTION FEE**

Municipalities/local authorities charge a per annum fee for regular refuse collection. The fee depends on the size of the property and the municipality. For example, for a 3-bed holiday house in Protaras, Famagusta the refuse collection fee is c.€140 p.a.

### **CAPITAL GAINS TAX**

A capital gains tax of 20% is imposed on the profit gained from the property disposal.

### **SALES LEVY**

A sales levy of 0.4% is imposed on the sale price and is payable by the seller. The proceeds from this levy will go towards the Central Agency for Equal Distribution of Burdens.

### **INHERITANCE TAX**

No inheritance tax; abolished in 2001.

## PERMANENT RESIDENCY

The Cyprus Permanent Residency scheme enables non-EU nationals to invest in Cyprus (minimum real estate investment of €300,000) and acquire Permanent Resident Permits (PRP). The scheme is also applicable to the investor's parents, dependent children (up to the age of 25), spouse as well as the spouse's parents.

The Permanent Residency scheme is a fast-track procedure with the permit typically issued within 2-3 months.

### KEY REQUIREMENTS

- Title deed or purchase agreement, in the name of the main applicant, of a residential property with a minimum market value of €300,000 +VAT (if applicable). The property must be new and purchased from a developer and the funds for the purchase must be transferred to Cyprus from abroad
- Evidence of a minimum steady annual income from abroad of at least €30,000 which can be from any source other than employment in Cyprus. The minimum increases by €5,000 for each dependent and by €8,000 for each parent of the main applicant and / or spouse of the main applicant
- Confirmation from a Cypriot bank of a minimum €30,000 deposit transferred from abroad and pledged for at least a three-year period
- Declaration that the applicant does not intend to be employed in Cyprus. PRP holders may own shares in Cyprus companies and receive dividends
- A PRP holder must visit Cyprus at least once every two years

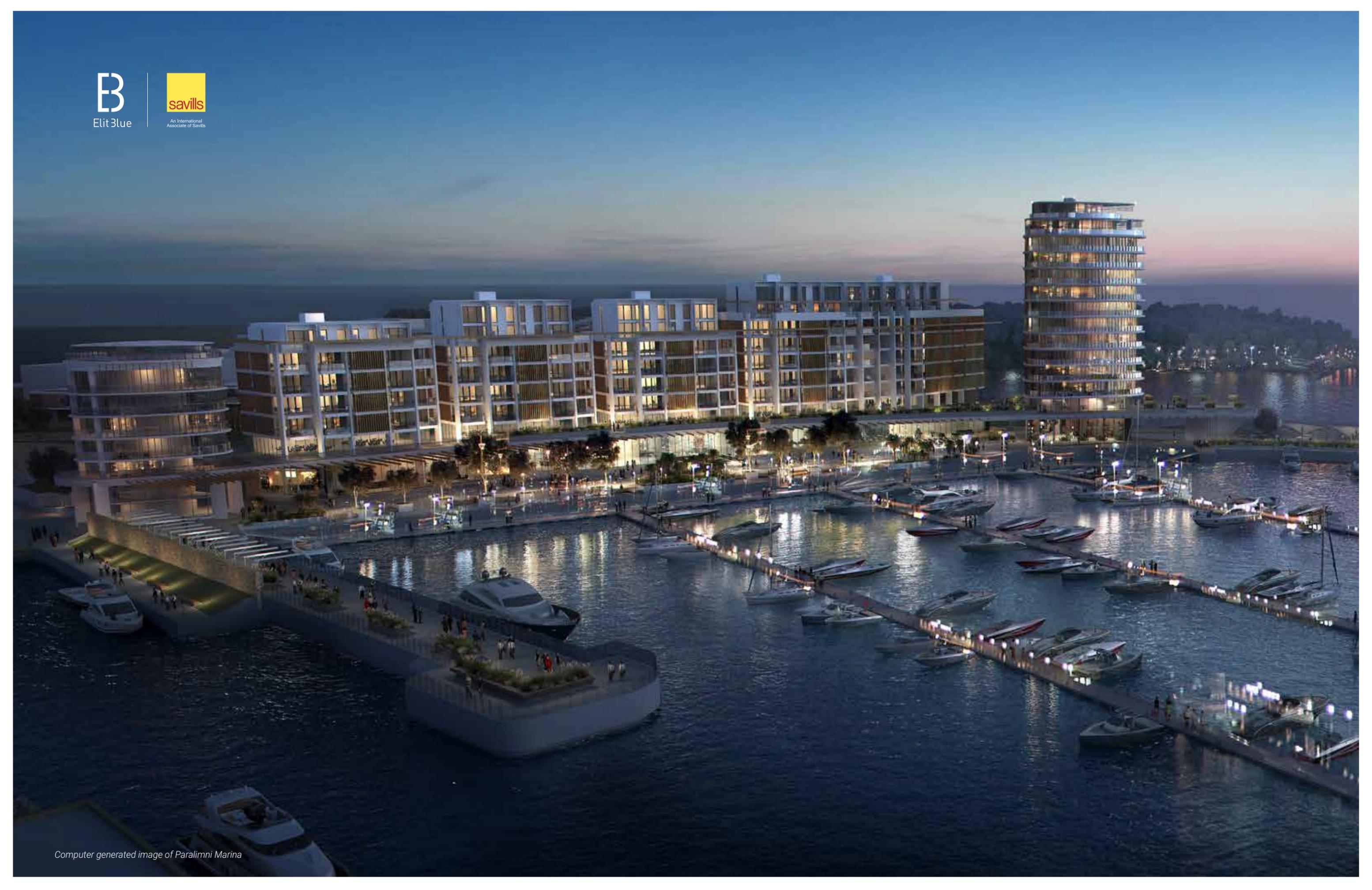
### KEY ATTRIBUTES

- Freedom to live in Cyprus and travel to some EU member states
- No requirement to live in Cyprus
- Simple and fast procedure; two months from application to PRP issuance
- The permits are permanent; no renewal required
- No language, education tests or medical examinations required
- Permanent residency for main applicant and their dependents
- PRP holders can own a business in Cyprus
- PRP holders have the right to apply for citizenship provided they have held PRP status and resided in Cyprus for at least seven years



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