

FAQ regarding the acquisition of immovable property in Cyprus

1. HOW A NATIONAL OF AN EU MEMBER COUNTRY WHO IS A PERMANENT RESIDENT OF CYPRUS is permitted to own as much 'immovable property' (a term that includes both land and property) as they wish.

You need to have applied (in person) for permanent residency permit. This may be obtained online, by clicking on the link above, and from the Civil Registry and Migration Department of the Ministry of Interior; the 'Aliens Department'. Having concluded a successful interview with the officers at the Department, you will be issued with a 'Yellow Slip'.

(Note that the application for the issue of a Permanent Residence Certificate can only be made after a five-year period of uninterrupted legal residence in the Republic of Cyprus.)

2. HOW A NATIONAL OF AN EUROPEAN UNION MEMBER COUNTRY WHO IS NOT A PERMANENT RESIDENT OF CYPRUS may own as much land as they wish. However, if you wish to buy any other sort of 'immovable property' your ownership is restricted to one house or one apartment for which approval from the 'Council of Ministers' is needed. **How I apply?** To get Council of Ministers approval to own property in Cyprus your lawyer will complete an application form and submit it, together with information about yourself and details of the property you want to buy, to the local District Office.

3. HOW A NATIONAL OF A NON-EUROPEAN UNION COUNTRY CAN BUY must seek the approval of the 'Council of Ministers' before they can own any type of immovable property. Furthermore, unless there are exceptional circumstances, your ownership will be limited to:

1. An apartment.
2. A house.
3. A building plot or land up to approximately three donums (4,014 sq.m.).

On its accession to the EU, Cyprus revised many of its laws that placed restrictions on property investment by citizens of other EU member states. But to protect its sensitive property market, it agreed a five-year transitional period with the European Union preventing EU citizens who are not permanent residents of the island from owning secondary residences.

(In exceptional circumstances, the Council of Ministers will grant permission to own more than one building. For example, if you're property developer and wish to take over a hotel).

4. Cyprus land registry system

Cyprus maintains a land registry system in which all immovable property (a term that relates to land and buildings, trees and plantations, rivers, wells, and all rights relating to land and buildings) is registered.

5. Cyprus Title Deeds

In Cyprus, Title Deeds, which are also known as "Certificates of Registration of Immovable Property", are formal documents that serve as evidence of property ownership. Each piece of immovable property has an associated Title Deed which contains information such as its registered owner, its size, its location and the Lands' Office reference.

As the legal ownership of immovable property is denoted by its Title Deeds, your Contract of Sale must provide for the transfer of ownership and registration of the property in your name and the contract deposited for 'Specific Performance' at the branch of the Land Registry - the District Lands' Office in which the property is located.

6. Why bother with Title Deeds?

Some expatriates boast about the money they've saved by not 'buying' their Deeds from the Land Registry. (You don't have to 'buy' them - they are yours as a right). Some claim that it is perfectly OK to buy property without securing ownership. So what are the advantages and disadvantages of not having your Title Deeds?

Advantages of not having Title Deeds

- On the plus side, you do not *pay Property Transfer Fees* to complete the purchase and have ownership of the property registered to your name.

Disadvantages of not having Title Deeds

- **You do not own your property** and are therefore unable to enjoy the full benefits of property ownership, including the right to sell or transfer it to anyone you wish without reference to its registered owner.
- **Should you wish to sell**, you need to cancel or transfer your contract of sale at the Land Registry enabling its registered owner to enter into a new sale agreement with your buyer. I know some buyers who have been charged more than € 34,000 by the registered owner, a disreputable property developer, for this 'privilege'. But a recent Court ruling may help to put an end to this despicable practice.
- Under certain circumstances the **legal owner of the property can still raise a mortgage on the land on which your property is built** without your permission, even though you may have paid him for it in full.
- **If you have a property that was already mortgaged when you bought it**, its legal owner may reschedule the loan, extend it, increase it, etc. without your consent or even your knowledge.
- **Property developers prey on buyers without Title Deeds** by extorting huge amounts of money from them claiming that it is to pay their immovable property tax.
- **You may have bought a property that has been built illegally**; as a necessary precursor to issuing Title Deeds is a formal independent inspection to ensure the property has been built in accordance with the Planning and Building Permits issued for its construction. (If it transpires that the property was built illegally, the authorities could issue a 'Demolition Order' resulting in the property's destruction.)

- **You are unable to raise money against your property** and unable to access any of the capital you have tied up in it through equity release loans and other schemes.
- **You are unable to make any changes to the property** without the consent and the agreement of the Title Deed holder (most probably the developer from whom you bought it).
- As the Cyprus financial institutions refuse to grant mortgages on resale properties without Title Deeds, **anyone wishing to buy your home must be a cash buyer.**

7. Is VAT applicable on Cyprus Real Estate?

For those buildings for which an application for a town planning permit was submitted prior to the 1.5.2004, no VAT. is charged in the event of a sale. For those after the above date, a VAT. of 15% is charged (no VAT. is charged on land/building plots for purchases prior to 1.7.2008).

In case of a house purchase which is classed as the main/permanent resident of the purchaser, and provided that it is not larger than 250m², the VAT. is refunded up to 10% (out of the 15%). This means that the VAT. must be fully paid and then the Authorities will require proof that the applicant is using the property as his main/permanent residence (with the production of water/EAC/CYTA bills, payment of taxes etc).

8. What property can a non-Cypriot purchase?

Buying property in Cyprus is quite easy. As a non-Cypriot you are entitled to purchase FREEHOLD for your personal use:

- A. An apartment or a house
- B. A villa on a building site not exceeding 4.000m².
- C. A piece of land not exceeding 4000m² for the purpose of erecting a house within a reasonable time period.
- D. Offshore Business Units can buy/built unlimited office/work space.
- E. A second home maybe permitted depending on the type. [ex., a holiday home in addition to a permanent home in the city.]
- F. Acquisition of Leases having a term in excess of 33 years duration, are treated similarly in Real Estate as a freehold in relation to the limitations.
- G. Acquisition in shares other than between husband and wife is not permitted.

9. Do properties have title deeds?

Properties have title deeds. Title deeds are issued by the Land registry department, of the Cyprus Government, a few years after completion of the project. Individual houses follow the same procedure. Upon approval by the Council of Ministers of the application and confirmation by the Central Bank that the purchase was with foreign funds, then the transfer of deeds can take place within a few hours.

10. Can a loan be obtained locally?

All the main banks in Cyprus offer loans for the purchase of property in foreign currency. If you acquire through a Developer he usually has prearranged loan facilities, which can be explained to you when interest is shown for the purchase of property.

Normally a deposit of 30% can facilitate a loan on the balance -70%-.

Interest rates vary but as a guideline you can expect, the base rate -libor- +2.0%. Repayment period can be up to 15 years, or more

11. What is required for the transfer of property and what are the fees payable?

The following documents are required to be submitted in order for property to be transferred to your name as a purchaser:

- A. Written confirmation by the Central Bank that the purchase was with foreign funds, which was imported into Cyprus.
- B. The sale contract.
- C. The Ministerial Council's permission for the purchased property.
- D. The property's title deeds, if available.
- E. Confirmation that all taxes for the purchased property [sewerage, immovable property, town taxes etc] have been paid.

Transfer fees are paid on the value that the Land Registry department determines that it is the Open Market Value of the property on the day of the original transaction /sales contract.

Transfer rates are as follows:

Property Value	Fees -%	transfer fee
Up to £50.000 (€85.430)	3%	£1.500 (€2.562)
£50.000-£100.000 (€85.430 – €170.860)	5%	£4.000 (€6.834)
£100.000 (€170.860) and over	8%	

A Power of Attorney can be issued to a third party to attend and conclude the transfer on the buyer's behalf. There is a transfer fee advantage if the property is registered in the name of the two spouses [husband +wife] as the total purchase price is divided by two, thus lowering the rate of the transfer fee.

12. Do I need to employ a solicitor?

Although we recommend seeing a solicitor, you may find that is not necessarily required. If you buy through a reputable developer there are printed ready contracts. Should you wish to use a solicitor to check the contract and examine the property's date, any impediments etc, an **average solicitor fee is €900-€1000**

13. Do I need a valuation/survey?

We suggest that you get a survey and valuation report especially for resales and for units of some age. The cost of a **valuation report is, on average, €2.000**, plus **approximately €350 for a structural survey**. **Please always call for a quotation.**

14. For people who have purchased property, is residential permit easily available?

Temporary Permit: The requirements for this permit is the production of a sales agreement and a Cypriot Bank Account. The residential permit can be from 1 year to 4 years.

Permanent Permit: In addition to the above the applicant must establish proof of an annual income of CY£12.000 (€20.503) per annum for a couple.

Since April 2004, Cyprus is a member of the EU, the procedural restrictions on the property purchase on EU members are lifted. All restrictions on property on EU members will be lifted after April 2009. However as from April 2004 EU citizens are not require either a residential or a working permit.

15. What taxes are payable on property [Depositing of the Sales Contract]?

A. Transfer fees: one-off payment.

Property Value	Fees -%	transfer fee
Up to £50.000 (€85.430)	3%	£1.500 (€2.562)
£50.000-£100.000 (€85.430 – €170.860)	5%	£4.000 (€6.834)
£100.000 (€170.860) and over	8%	

The purchaser will be liable to pay the following transfer fees for the property acquired, when this is registered in his name at the Lands’ Office. The fees are charged on the property’s market value at the date of purchase:

B. Immovable property tax. This is an annual tax which is paid on the value of the property, *[on the market value as at 1/1/1980]* and is a fixed percentage per thousand:

[a]	Up to £100.000 (€170.860)	Nil
[b]	£100.001 (€170.860) - £250.000 (€427.150)	2.5 ‰
[c]	£250.001 (€427.151) - £500.000 (€854.300)	3.5 ‰
[d]	£500.001 (€854.301) and over	4.0 ‰

C. Fees for the deposit of a sales contract in the Land registry: The deposit of the sales contract is advisable in order for the purchaser to exercise the defense of Specific performance against the developer/seller. The

purchaser has the right to deposit the sales contract within 60 days after signing of the contract. However the sales contract must be deposited and stamped within 30 days after signing. After this period a penalty is imposed. The fees are **1.5% for values up to £100.000 (€170.860)** and **2.0% for values there after**.

E. Capital gains tax: The difference between the purchase price, and other costs incurred, such as inflation, interest costs, improvements etc., and the sales price is liable to the capital gains tax of 20%. The first £10.000 (**€17.086**) of the difference is exempt. In case of a permanent resident the amount is increased to £50.000 (**€85.430**) per year.

F. Other Property Taxes: These are taxes paid to the Municipality and depend on the size and value of the property. It covers refuse collection, sewerage, street lights etc. and it varies according to the area, from C€50 - C€150 (**€85 - €256**) annually.

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