

***WHAT YOU NEED TO KNOW WHEN
PURCHASING IMMOVABLE
PROPERTY IN CYPRUS***

CYPRUS' ATTRACTIVENESS AS A PLACE TO RESIDE OR INVEST

Cyprus has traditionally attracted millions of tourists who decide to spend their vacation in the sunshine. In recent years a number of factors have enhanced Cyprus' attractiveness in becoming the place of permanent residence or the place for investment in real estate. Its geographical position makes it accessible for people throughout the world in just a few hours. It's excellent climate which guarantees a minimum of 300 days of sunshine in a year. The friendly and hospitable atmosphere which makes foreigners feel at home and the relatively low cost of living, constitute just a few of the factors that have enhanced Cyprus' attractiveness to foreign investors. Cyprus' accession to the European Union and the introduction of the Euro have further enhanced its attractiveness as a place to reside and a place to invest as both developments have created further socio-economic stability making it a better and safer place to live. All this is backed up by a very sophisticated business community i.e. accountants, lawyers, bankers, land developers etc which ensures the accurate and timely conclusion of any property or other transaction.

LEGAL ASPECTS ON THE ACQUISITION AND OWNERSHIP OF IMMOVABLE PROPERTY IN CYPRUS

Acquisition

Under the Immovable Property Acquisition Law foreign nationality individuals, companies and trusts may acquire freehold immovable property in Cyprus, subject to the permission of the Council of Ministers. Normally such permission is granted to acquire a flat, house or a piece of land for the erection of a house not exceeding about 4014 square meters. Of course this provision has been totally relaxed following Cyprus' accession to the EU, hence, EU nationals can acquire property in Cyprus without any restriction. Where prior approval is required in accordance with the law, such is a formality and can be arranged via our associated legal counsel.

Contract of Sale of immovable property

Under the Cyprus Law such contracts must be in writing. It is also advisable that contracts for the sale of immovable property are submitted to the relevant District Lands Registry within two months following the signing of the contract, in order to safeguard the purchaser's right to the specific property and also seek any damages against the seller in case of a breach of contract from the seller's side. Ownership in Cyprus is denoted by title deeds and these are issued by the District Land Office. All contracts must provide for the transfer and registration of the property in the purchasers name and for the issuance of a title deed. The contract should also bear the official stamps of the Republic and a nominal stamp duty (depending on the value of the contract could range between 0.15%-0.2%) should be paid to the relevant authority before submission to the District Land Registry.

TAX ASPECTS ON THE ACQUISITION AND OWNERSHIP OF IMMOVABLE PROPERTY IN CYPRUS

Transfer Fees

When the property is ready and has been approved by the relevant authority for the issuance of the title deed, transfer fees should be payable in cash at the point of transfer. Transfer fees are payable by the purchaser (individual or company) on the sale price as follows:

Value of Property	Percentage	Fees	Accumulated Fees
€	%	€	€
1,71 – 85.430,07	3	2.562,90	2.562,90
85.430,08 – 170.860,14	5	4.271,50	6.834,40
170.86-,15 and above	8		

Immovable Property Tax

This immovable property tax is imposed on the market value of the property as at 1 January 1980 and concerns immovable property possessed by the taxpayers (individual or company) on 1 January or each year. The current rates are:

Value of Property	Percentage	Tax	Accumulated Tax
€	%	€	€
0 – 170.860,14	0	0	0
170.860,15 – 427.150,36	2,5	640,73	640,73
427.150,37 – 854.300,72	3,5	1.495,03	2.135,76
854.300,72 and above	4,0		

Local Authority Tax

Depending on where your property is located, a local authority tax will be imposed on an annual basis covering basic amenities offered such as refuse disposal, street lighting. This is nominal and it ranges to about €170 per annum depending of course on the size of the property.

Capital Gains Tax

Capital gains tax is paid on gains arising from the sale of immovable property. The current rate of capital gains tax is 20% and is payable on capital gains realized. Capital gains are calculated as follows:

	€
Proceeds from sale	200.000
Less:	
Cost of Property	(100.000)
Professional and legal fees	(5.000)
Commissions	(10.000)
Finance costs	(7.000)
Indexation allowance	(12.000)
Gross Gain	66.000
Less one-time personal allowance	(17.086)
Taxable Capital Gain	48.914
Capital Gains Tax @ 20%	9.783

The personal allowance of €17,086 is a one-time allowance available when disposing any type of property. There is also a Principle Private Residence Allowance of €85,430 which is available when disposing your main residence and provided you have lived in it for a five-year period before disposing. It is worth noting that the investment allowance is available to each owner of the property and thus if a property has 2 owners then the aggregate allowance on the sale automatically doubles.

The following categories of disposals of immovable property are exempt from Capital Gains Tax:

- transfers on death.
- gifts between spouses, parents and children up to third degree
- gifts to a company whose shareholders are members of the donor's family and continue to be members of the family for a period of 5 years from the date of the gift
- gift by a family company to its shareholders if the company had also acquired the property in question via donation. However, if the shareholder disposes the property within 3 years then the shareholder will not be entitled to certain deductions.
- gifts to a charitable organization or the Republic
- exchange or disposal under the Agricultural Land Laws
- exchange provided the gain is used for the acquisition of new property. The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed
- expropriations
- transfer of ownership or share transfers in the event of company reorganizations

Value Added Tax (VAT)

VAT is applicable at the rate of 15% on all properties which have obtained a planning permission after 1 April 2005. VAT can only be refunded in the following cases:

1. The property is used for business purposes owner is a VAT registered person (company or individual) in Cyprus.
2. The property is used as a holiday let and the owner is a VAT registered person in Cyprus. If the property is rented out on a permanent basis then the rental income is outside the scope of VAT. In such a case the owner of the property would not be eligible to register for VAT and thus cannot claim the VAT suffered on the property.

Using a Cypriot Company to hold immovable property

A Cypriot company can be used to hold real estate. The disposal of the real estate property could give rise to a 10% tax corporate tax provided that the profit arises from the ordinary trading activities of the company i.e. the company's business activity is to trade in real estate. Alternatively, any profits from disposing the real estate would be taxed at the rate of 20%. Any rental income derived by the Cypriot company would be taxed at 10% after deducting any property expenses incurred. Additionally, rental income would be subject to defence tax at the rate of 3% after deducting a 25% allowance for wear and tear of the real estate.

Taxation of individuals or companies residing in Cyprus

When an individual or a company becomes tax resident of Cyprus it will fall under the Cypriot tax regime and to this respect it may become liable to Cypriot taxes. In addition, there may be allowances or exemptions available. Our firm will be able to assist further on tax advisory and tax compliance matters applicable from the point you will become tax resident of Cyprus. Please contact us for more information.



Our Firm

Our firm has been established by a dynamic and highly talented team of UK qualified Chartered Accountants and aims to become the standard of excellence in the provision of professional services in Cyprus.

We transmit our expert knowledge to our clients by thinking outside the box and by applying the highest standards of professionalism. We provide services with a highly “personal touch” and make every member of our experts team easily accessible at all times.

At HMI we firmly believe that trust and confidentiality are the foundations of every successful professional relationship. We have, therefore, implemented confidentiality practices, supported by advanced IT systems, which ensure that our clients' business affairs are kept within our firm.

Our core services are auditing, tax planning and tax compliance, accounting and business consultancy. Furthermore we can assist with company formation, management and administration. At HMI we have established a number of strong business alliances with lawyers, bankers and other consultants and have created a network of business advisers easily accessible to all our clients if and when required.

Our firm has invested heavily on IT. We use the latest accounting, financial reporting, taxation and company management software. In addition, we have installed hardware of the latest technology that assists in the efficient and effective carrying out of our operations.

Last but not least, we have developed a highly reliable Know-Your-Client procedure in order to safeguard the reputation of our clients and their stakeholders always in compliance with European Union and International Anti-Money Laundering Legislation.

Our Core Services

- Auditing and Financial Reporting
- Accounting and Financial Management
- Tax Planning
- Taxation and VAT Advisory Services
- Company Formation and Administration Services
- Assistance in acquiring immovable property in Cyprus and proper structuring



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