

PURCHASE OF PROPERTY IN CYPRUS

1. CONTRACT OF SALE

The lawyer responsible for drafting the contract beside inserting the fair terms and conditions for the protection and interest of the buyer will examine the deeds of the property sold by obtaining a copy from the vendor or the Land Registry Office and generally he will make sure that all the details correspond to the property in question and that it can be sold to the prospective buyer. When the contract is ready at the satisfaction of the buyer it can be signed by the buyer himself or by his lawyer by virtue of a power of attorney that can also be used for all other necessary acts and documents until the completion of the transaction.

2. STAMP DUTY

Once the contract is signed the purchaser is responsible for the payment of stamp duty at the rate of CYP1.50 (€2.56) per Thousand towards the purchase price up to the value of CYP100,000 (€170.860.14) thereafter the rate is CYP2,00 (€3.42) per Thousand. This amount should be paid within 30 days of signing the contract in order to avoid the payment of a fine.

For example if the purchase price is CYP150,000 (€256.290.21)

The first CYP100,000 (€170.860.14) \times 1.50 (€2.56) = CYP150 (€256.29)

Next CYP50,000 (€85.430.07) \times 2.00 (€3.42) = CYP100 (€170.86)

Total CYP250 (€427.15)

3. LODGING A COPY OF THE CONTRACT OF SALE WITH THE LAND REGISTRY OFFICE

As from the date of signing the contract of sale the buyer has the Right within 2 months from that date to lodge the contract with the Land Registry Office for what is called Specific Performance purposes. This is very important for the protection of the buyer mainly for two reasons. First, once the contract is

lodged the buyer is considered the beneficial owner of property until the time he becomes both the beneficial and legal owner of the property by transferring the title deeds into his name.

Therefore, there is a clear declaration that he bought the property in question, the Land Registry Office is aware of this transaction and his interest protected e.g. by preventing the vendor to resell the same property to somebody else or by having a mortgage over the property.

The second main reason is to secure that the title deeds will pass to the buyer even if the vendor is not willing to act for that purpose. Title deeds usually are ready 3-4 years after completion of the whole project, which is considered a standard practice in Cyprus (unless the property sold is already built some years ago and is a single project, which means that the Title deeds are available when the contract is signed). On that time if the vendor is delaying or refusing to grant the deeds then the buyer can file an action against him and ask the Court inter alia for an injunction for specific performance otherwise the only remedy available to the buyer would be an action for damages something undesirable especially when the property in 3 or 4 years time worth another e.g. 40% of the original purchase price.

4. PERMISSION FROM THE COUNCIL OF MINISTERS

Before transfer of the property sold on the name of the purchaser permission must be sought from the Council of Ministers (District Office) by written application which must be submitted by the purchaser after the agreement is signed. However, this permission is granted more or less as a matter of course to all bona fide purchasers. In the meantime, purchasers can take possession of the property without any restriction.

E.U citizens that are permanent citizens in Cyprus do not require a permission to buy any immovable property. Legal entities established in EU countries that have their headquarters and registered office in Cyprus, do not require permission to buy any immovable property. Legal entities established in

Cyprus and controlled by citizens of the EU require permission to buy immovable property in Cyprus as well as any other legal entities.

According to the Acquisition of Immovable Property (Immigrants) (Implementary) Act 54(1)/2003, it is not necessary to obtain permission in the following circumstances:

- a) From a citizen of a Member State who has his/her permanent residence in the Republic of Cyprus.
- b) From a Legal Entity which has been established according to the legislation of a Member State, and which has its Central Administration or its main establishment in the Republic of Cyprus.
- c) From a citizen of a Member State who does not have his/her permanent residence in the Republic of Cyprus, in the case of acquisition of immovable property, other than a secondary residence.
- d) From a Legal Entity which has been established according to the legislation of a Member State, which has its central administration
- e) Or its main establishment in a Member State, in case of acquisition of immovable property, other than a secondary residence.

Furthermore, a person who has a Residence Permit in the Republic of Cyprus, is considered to be a permanent Resident of Cyprus, and therefore there is no need to have such permission.

Also, a legal entity, which has been established according to the legislation of a Member State, means the legal entity, which has acquired, under the Company's Act, a Certified Copy of the Certificate of Registration of its legal entity or a Certificate of Registered Office.

However, after May 2009, EU members and companies will be in a position to acquire and invest in, any type of property and will be treated as Cypriot Nationals.

Moreover, if the purchaser is not a citizen of a Member State, different provisions of the Law apply.

5. TRANSFER OF OWNERSHIP AT THE LAND REGISTRY OFFICE (TITLE DEEDS)

The transaction is concluded with the transfer of ownership by a simple process of registration at the Land Registry Office once the necessary permissions are granted (as prescribed above) and as soon as separate title deeds for the property sold are issued by the Land Registry Office reflecting the property erected on the land. At this stage the buyer is responsible for the transfer fees.

Fee calculation

| Property Purchase in sole name | Tax Rate |
|--|----------|
| Up to CYP 50.000 (EUR 85.430,07) | 3% |
| CYP50,001=TOCYP100,000= (EUR 85,431.78) TO (EUR 170,860.14) | 5% |
| CYP 100,001= (EUR 170,861,85) AND OVER | 8% |

| Property Purchase in Joint name | Tax Rate |
|--|----------|
| Up to CYP 100.000 (EUR 170.860,14) | 3% |
| CYP100,001=TOCYP200,000= (EUR 170.861,85) TO (EUR 341.720,28) | 5% |
| CYP 200,001= (EUR 341,721,99) AND OVER | 8% |

| | | | | | |
|---|------|-----|--------|-----|----------|
| E.G. Purchase in sole name | | | | | |
| Purchase of property for the sum of CYP 150,000= (EUR 170,860.14) | | | | | |
| 1st CYP 50,000= | @ 3% | CYP | 1,500= | EUR | 2,562.90 |

| | | | | | |
|---------------------------------|------|-----|--------|-----|-----------|
| 2nd CYP 50,000= | @ 5% | CYP | 2,500= | EUR | 4,271.50 |
| 3rd CYP 50,000= | @ 8% | CYP | 4,000= | EUR | 6,834.41 |
| Total payable to transfer title | | CYP | 8,000= | EUR | 13,668.81 |

| | | | | | |
|--|------|-----|--------|-----|----------|
| E.G. Purchase in joint names | | | | | |
| Purchase price divided and will be CYP 75,000= (EUR 128,145.11) each purchaser | | | | | |
| 1st CYP 50,000= | @ 3% | CYP | 1,500= | EUR | 2,562.90 |
| 2nd CYP 25,000= | @ 5% | CYP | 1,250= | EUR | 2,135.75 |
| Total payable to transfer title | | CYP | 5,500= | EUR | 9,397.31 |
| (being CYP 2,750= (EUR 46,98.65) per purchaser) | | | | | |
| | | | | | |

6. IMMOVABLE PROPERTY TAX

Immovable property tax is imposed on the market value as at 1 of January 1980 and applies to each property owned by the taxpayer on 1 January of each year.

| Property value € | Rate% | Accumulated tax € |
|-------------------|-------|-------------------|
| Up to 170.860 | 0 | 0 |
| 170.861 – 427.150 | 2,5 | 641 |
| 427.151 – 854.300 | 3,5 | 2.136 |
| Over 854.300 | 4 | |

7. INHERITANCE TAX

There is no inheritance tax in Cyprus.

8. INCOME TAX (personal tax)

An individual is classified as Cyprus tax resident after spending more than 183 days per year in Cyprus, and is taxed on all income accrued or derived from all sources in Cyprus and abroad.

| Taxable income € | Tax Rate % | Accumulated tax € |
|-------------------------|-------------------|--------------------------|
| 0 - 19.500 | 0 | 0 |
| 19.501 - 28.000 | 20 | 1.700 |
| 28.001-36.300 | 25 | 3.775 |
| over 36.300 | 30 | |

9. FOREIGN PENSION

Foreign Pension is taxed at the rate of 5% with an annual exemption of €3.417

10. CORPORATE TAX

A company is classified as a tax resident company of Cyprus if its controlled and managed in Cyprus, and it will be taxed on all income accrued or derived from all sources in Cyprus and abroad.

Corporate tax rates

| | |
|-------------------------------|-----|
| Companies | 10% |
| Semi-government organizations | 25% |

11. CAPITAL GAINS TAX

Capital gains tax is imposed at the rate of 20% from the disposal of immovable property with some exemptions taxed as mentioned below.

| Type of immovable property | € |
|-----------------------------------|----------|
| Sale of private property | 85.430 |
| Sale of agriculture land | 25.629 |
| Any other sale | 17.086 |

Exemptions

Individuals can deduct from capital gain the following:

- Disposal of private residence
(Subject to certain conditions) CYP50,000 = €85,430.07
- Disposal of agricultural land by a farmer CYP15,000 = €25,629.02

- Any other disposal CYP10,000 = €17,086.01

The above exemptions are given only once and not every disposal. An individual claiming a combination of the above is only allowed a maximum exemption of CYP50,000 = €85,430.07.

12. VALUE ADDED TAX

The Value Added Tax is imposed on the provision of goods and services at the rate of 15% according to EU regulations.

Grant from purchase of first property

The grant is given to entitled persons for the purchase, construction or acquisition of a new house which is used as the main and primary place of residence. Persons entitled to this grant are citizens of the republic of Cyprus or any other EU member state, who reside permanently to Cyprus. The grant is given for properties whose total covered area does not exceed a total covered area of 250m²

| Amounts of the grant | € |
|-----------------------------|-----------|
| Construction of house | 10.131,13 |
| Detached house | 20.262,38 |
| Semi detached house | 15.196,87 |
| Three bedroom apartment | 17.729,63 |

| | |
|-----------------------|-----------|
| Two bedroom apartment | 19.249,28 |
| One bedroom apartment | 19.249,28 |