

What you need to know about buying a property in Cyprus:

A) Foreigners not residing in Cyprus can buy and acquire the Title Deed to *only one property on the island, (house or flat)*.

For this purpose, they will need the approval of the Council of Ministers which these days, is really just a formality.

For Europeans, there is no restriction on the number of pieces of land or on the size of land they can buy.

Applications to the Council of Ministers must be submitted to the District Administration Office of the district where the property is located. A copy of the Survey Plan, Building Permit, Contract of Sale and the Title Deed must accompany the application. When the approval is granted, provided that the separate Title Deed is available, the purchaser can acquire his/her Title Deed.

The legal system for the Island of Cyprus is the Common Law.

Cyprus was a British Colony for years and the British legal system was adopted, as well as the Land Registry procedures.

Land Registry in Cyprus is very good and accurate and investors and/or buyers can rely on the information and results of searches given by this office.

B) According to the Immovable Property Acquisition (Aliens) Law Cap. 109, as amended by Laws 52/69, 55/72, 50/90 and 54(1)/03, approval to acquire immovable property is no longer required (since 1st May 2004, when Cyprus became a member of the European Community), in the following cases;

1. For a citizen of a member state of the E.E.C. who has his/her permanent home in the Republic of Cyprus.
2. For a legal person (company) who is registered according to the law of a member state of the E.E.C. and which has, as per the Constitution, the Head Office, the Central Administration and the main establishment, in the Republic of Cyprus.
3. For a citizen of a member state of the E.E.C. who does not reside permanently in Cyprus in cases where he/she acquires property other than a secondary home (i.e. land).
4. For a legal person (i.e. a company) who is registered according to the law of a State member of the E.E.C. and which has, as per the Constitution, the Head Office, the Central Administration of the Company and the main establishment in a member state, in cases of the acquisition of immovable property other than a secondary home (land).

C) According to Article 2 of the Immovable Property Acquisition (Aliens) Law, Conditions, Restrictions, Requirements, Criteria for the issue of the approval (Amended), Regulations 2004 K.D.P. 534/2004;

- A physical person to whom a permit to stay in the Republic of Cyprus is granted, according to the conditions of Article 7 and/or 11 and/or 18 and/or 30 and/or 37 and/or 57 of Free Movement and Residence of citizens of Member States Of the European Community and of the members of their families, Law (N92(1)/2003), is considered as having a place of permanent residence in Cyprus and
- A legal person who is registered according to the law of a Member State, means the legal person who has secured, according to the provisions of the company law, a certified copy of the Certificate of Registration and/or the Registered Office of the company.

A person living permanently in Cyprus as per para C(a) above can easily secure a certificate that he/she can use to acquire as many properties in Cyprus as he/she wishes.

The acquisition of the certificate is very simple. The citizen of a member state of the E.E.C. living in Cyprus, can visit the District Administration Office for the area in which he/she lives, along with his/her passport and Temporary Resident Permit. A form, giving their full name and address, will be filled in and a fee of Cy£5.00 (€8.54) is required to be paid. In a few days they will receive the certificate, which gives them the right to acquire an unlimited number of properties of any size in Cyprus.

Since the 1st May 2004 when Cyprus joined the European Community, Europeans have the right to buy land without any restriction on size or number of pieces.

D) Title Deeds

a) Purchasers buying a property built some years ago, or is one unit and not part of a complex, can acquire their Title Deed immediately.

The procedure is exactly the same as in the U.K. It is wise to appoint a local Lawyer. The Lawyer must then make a search and if the results are satisfactory, contracts can be exchanged immediately. The Vendor then provides the Title Deed without delay.

b) Purchasers of a property under construction, or just completed or part of a project, must follow a slightly different procedure and cannot acquire the Title Deed to their property immediately.

The Title Deeds to new properties, or to properties which are part of a project, takes approximately 3-4 years following completion, to be issued.

Purchasers can feel safe as long as their lawyer acts as follows;

- A search is made to confirm that the land on which the project is under construction, or has just been completed, is clear of any encumbrances.
- Ensures that stage payments are in accordance with the progress of the work.
- That the Contract of Sale is stamped by the Tax Office and lodged with the Land Registry for Specific Performance purposes, (Law cap 232 as amended by the laws 50/70, 96/72 and 51(1)/95).

The lodging of the contract with the Land Registry Office (fee Cy£1.00 €1.7086) is very important because the property is then blocked and the Vendor cannot sell it or transfer it to anyone else.

Neither can the property really be mortgaged by the Vendor as the banks are not in favour of waiting in line.

In the unforeseen event that a Developer should suffer financial problems, the Purchasers must be satisfied first, then the banks. Hence it is in general, the policy of the banks to avoid the mortgage of the property by the Vendor.

If the contract is not lodged with the Land Registry, the Purchaser(s) cannot sue the Vendor requesting the specific property. He/she can only sue for the market value of the property at the date of the breach.

The lodging of the contract with the Land Registry Office secures and restricts the amount payable for transfer fees (stamp duty) which are payable when the Purchaser(s) acquire their Title Deed.

By lodging the contract, the Land Registry is bound to take as the value of the property, the value as at the date of the contract. In this way, the Purchaser(s) do not pay heavy transfer fees based on a valuation much after the date the property was purchased.

Contracts must be stamped within 30 days of signing otherwise a penalty is charged and added to the cost of the stamps. The contract must also be lodged with the Land Registry Office within 60 days of signing, failure to do so results in the right to lodge being lost, and the contract can then never be lodged.

The Title Deeds take time to be issued because the Companies developing land, must secure a Building Permit, a Certificate of Approval for the building, Division Permit and a Certificate of Approval for the Division, for submission to the Land Registry to issue separate Title Deeds. Government Departments are very busy and Title Deeds take some time to be released.

The lack of a separate Title Deed does not prevent a property owner from selling their property. In this instance a cancellation contract between the original purchaser and the Vendor, and a new contract of sale between the Vendor and the new purchaser will be drawn up.

Purchasers must, at the time of purchase, agree the cancellation fee that the Developer will charge, should the Purchaser decide to sell his/her property before the separate Title Deed is issued. It is advisable to include this agreement in the contract of sale.

E) Stamp Duty

Before the contract is lodged in the Land Registry Office for specific performance purposes, it needs to be stamped by the Tax Office.

The Stamp Duty is calculated as follows:

1.5⁰/₁₀₀ on the first Cy£100,000.00 (€170.860.14)

2⁰/₁₀₀ on the balance

The stamp duty must be paid within 30 days of signing the contract to avoid paying a penalty.

F) Immovable Property Tax (Law 24/80 2002)

This tax is imposed on immovable property situated in Cyprus. The rates are as follows:

Property Value (Cy£) Rate ⁰/₁₀₀

Up to 100,000.00 (€170.860.14)- - - -

100,000.00 (€170.860.14) – 250,000.00 (€427.150.36) 2.5⁰/₁₀₀

250,001.00 (€427.152.07)– 500,000.00 (€854.300.72) 3.5⁰/₁₀₀

500,001.00 (€854.302.43) & above 4⁰/₁₀₀

Immovable Property Tax is payable annually.

G. Inheritance Tax

On the 1st January 2000, Law 74(1)/2000 came into force. This law abolished all obligation to pay Inheritance Tax regardless of the size of the estate. The fact that there is no Inheritance Tax to pay under Cyprus Law is encouraging people to invest in the island.

H. Capital Gains Tax

From the profit following the sale of a property, the first Cy£10,000.00 (€17.086.14) (per person), a figure for inflation, transfer fees, Estate Agents fees (provided the agent is registered) and any additions to the property (provided receipts can be produced) are all free of tax. Capital Gains tax is then charged on the balance at the rate of 20%.

If the property sold has been the home of the Vendors for at least five years, Cy£50,000.00 (€85.430.07) tax relief can be claimed.

I. V.A.T.

The rate of V.A.T. in Cyprus is currently 15% on the sale price. For projects, V.A.T. is payable on the selling price of the property and land and building cannot be split.

No V.A.T. is payable in cases where an application for a Planning Permit was submitted before 1st May 2004.

J. Transfer Fees

When Purchasers acquire their Title Deed they must pay transfer fees to the Government.

In cases where the property is part of a project under construction, the Purchaser must expect the separate Title Deed to be ready in approximately 3-4 years from the date of the delivery of the possession of the property and he/she will pay the transfer fees at that time, in order to acquire it.

The Transfer Fee is the most serious expense over and above the sale price that the purchaser bears, and is calculated as follows:

3% on the first Cy£50,000.00 (€85.430.07) of the value of the property.

5% on the second Cy£50,000.00 (€85.430.07)

8% on any amount above Cy£100,000.00 (€170.860.14)

Two purchasers buying one property will pay less in transfer fees as the first Cy£50,000.00 (€85.430.07) *per person* is 3% and the second Cy£50,000.00 (€85.430.07) *per person* is 5%.

Cyprus is now a part of the European Community and there is no longer a need to obtain a work permit to work in Cyprus.

Important: The information given does not constitute a legal advice and is subject to change according to the laws of Cyprus.