

## Purchase of Property in Cyprus

Cyprus became a member of the EU on the 1<sup>st</sup> of May 2004 and any restrictions related to the acquisition of property by European Citizens have been abolished as from May 2009. For non - European Citizens still some restrictions apply as in force before the accession of Cyprus into the EU namely, they are entitled to a freehold ownership of a villa, an apartment or a plot of land with a maximum allowed extent of 4014 sq.m. (3 donums) per family. Nevertheless these restrictions only apply at the time of transferring the title deeds into the name of the purchaser which in fact means that anyone can buy as many properties as he likes

In either case the following procedure must be followed :

### 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 assuring that at the end the buyer will be able to register the title deed into his name free of any encumbrances. 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 0.15% towards the purchase price up to the value of €170,860.14 thereafter the rate is 0.20%. This amount should be paid within 30 days as from signing the contract in order to avoid the payment of a fine.

For example if the purchase price is €256,290.22

The first €170,860.14 x 0.15% = €256.29

Next €85,430.08 x 0.20% = €170.86

-----  
Total €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 the property until the time he becomes both the beneficial and legal owner of the property by transferring the title deed 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 is 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 deed will pass to the buyer even if the vendor is omitting to act for that purpose. Title deeds usually are ready 3-5 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 deed is available when the contract is signed). On that time if the vendor for whatever reason 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 (to oblige him to grant the title deeds of the property) otherwise the only remedy available to the buyer would be an action for damages.

#### **4. Permission from the Council of Ministers ( for non- European citizens)**

Before transfer of the property sold into 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. This procedure may take 8 – 10 months but in the meantime, purchasers can take possession of the property without any restriction.

#### **5. Transfer of Ownership at the Land Registry Office**

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 deed for the property sold is issued by the Land Registry Office reflecting the property erected on the land. At this stage the buyer is responsible for the transfer fees. The rates are on a graduated scale towards the purchase price i.e. up to €85,430 3%, from €85,430 – €170,860.14 the rate is 5% and over €170,860.14 is 8%

For example if the purchase price is €153,774

The first €85,430 x 3% = €2,562

Next €68,344 x 5% = €3,417

-----  
Total €5,980

If the purchase is made in joint names then the total amount is divided by two and you could have a fee reduction advantage

For example if the purchase price is €153,774

The first €76,887 x 3% = €2,306.61

Next €76,887 x 3% = €2,306.61

-----  
Total €4,613.22

## 6. Legal Fees

Legal fees are calculated as 1% towards the purchase price plus 15% VAT and any other disbursements if any, with a minimum charge of €2000=.

## 7. Mortgage Fees

The registration fee of a mortgage payable to the bank is 1% of the amount secured plus the relevant stamps

## 8. Immovable Property Tax

The registered owner of a property is liable to an annual immovable property tax calculated on the market value of the property as on 1<sup>st</sup> of January 1980 as follows

Value of the property in € / Annual Tax

0 – 170,860	0
170,861 – 427,150	0,25%
427,151 – 854,300	0,35%
Over 854,300	0,40%

## 9. Other Taxes

The registered owner of a property is also liable to other minor taxation under other laws such as municipal or village regulations. These taxes are calculated according to the area and the size of the property and cover sewerage, refuse collection, street lights

## 10. Capital Gains Tax

Capital Gains tax is levied at the rate of 20% on gains arising from the disposal of immovable property or the disposal of shares of companies the assets of which consist mainly of immovable property

As a general rule the gain is calculated as the difference between the sale proceeds and the original cost of the property. Interest on payments paid for the acquisition, additions to the property and inflation rate as published yearly by the government are deducted from the fees

Moreover individuals are entitled to the following allowances which in essence minimize any capital gains tax payable :

- The first €17,086 of gains arising from the disposal of any property are exempted
- The first €25,629 of gains arising from the disposal of agricultural land are exempted (subject to certain conditions)
- The first €85,430 of gains arising from the disposal of a house are exempted provided that the house is used by the owner for his own habitation for a minimum duration of 5 years (subject to certain conditions)

### **11. Personal Income Tax**

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are only taxed on income accrued from sources in Cyprus. An individual is a tax resident in Cyprus if he/she stays in Cyprus more than 183 days per year.

The following income tax applies to individuals

Income €	Tax Rate	Tax amount €	Accumulated Tax €
0 – 19,500	0	0	0
19,501 – 28,000	20%	1,700	1,700
28,001 – 36,300	25%	2,075	3,775
Over 36,301	30%		

### **12. Pensioners**

The pension for a person who is a resident of Cyprus, paid for services which have been rendered abroad, is taxable at 5% on any amount exceeding €3,417= in a tax year.

### **13. Corporation Tax**

All companies tax resident of Cyprus are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non – Cyprus tax resident company is taxed on income accrued from a business activity which is carried out through a permanent establishment in Cyprus. A company is a resident of Cyprus if it is managed and controlled in Cyprus. The corporate tax rate is 10% and all expenses incurred wholly or exclusively in earning the income of the company are deducted.

Should you have any queries we would be more than happy to be of further assistance.

Yours Sincerely

Kritos Erotokritou  
E. Erotokritou & Co