



## Practical Note CY 3



**Cyprus:  
Incentives for Investing - Relocating**

## Introduction

As part of its effort to attract foreign high net worth individuals to invest, international groups to set-up presence and qualified individuals to relocate and work in the country, Cyprus offers some very appealing incentives. These incentives, together with other advantages of Cyprus, such as its geographical location, its sunny weather, the business-friendly time zone, low crime and pollution and the top quality of facilities and services, create a very appealing proposition.

## Permanent Residence Permit Programme

This special class of permit relieves its holders from time consuming procedures associated with other types of permits, such as consular inspections, renewal, etc.

The Ministry of Interior of Cyprus implements a special procedure in order to issue the relevant permit, assuming the requirements set by the scheme are satisfied. These requirements have been streamlined in order to match the needs and expectations of the modern investor while bringing some real benefits to the country and also to make the whole procedure much more straightforward.

## Investment in Cyprus

The main criterion in order to qualify for the scheme is the investment of at least €300,000 in Cyprus (excluding VAT and transfer fees in case of investment in real estate, where applicable). The following investment options are available:

### 1. Investment in a house/apartment

It involves the purchase of up to 2 units of a house and/or apartment. Qualifying properties are only those sold by a development company to a buyer for the first time (i.e. not resales), unless the purchase of the properties took place before 7 May 2013. Sale contracts related to resale of properties which were deposited in the Land Registry before 7 May 2013 will be considered as qualifying this criterion. In case of investment in 2 properties, those do not have to be purchased from the same land development company.

### 2. Investment in real estate (excluding houses/apartments)

Purchase of other types of real estate, such as offices, shops, hotels, etc., or a combination thereof. Resales are acceptable under this category.

### 3. Investment in the share capital of a Cyprus company, which has operations and staff based in Cyprus

The company must have a proven physical presence in Cyprus and employ at least 5 people.

### 4. Investment in units of a Cyprus Collective Investment Organization (AIF, AIFLNP, RAIF)

In case the investment based on which a Permanent Residence Permit was granted is disposed, the permit will be withdrawn, unless the applicant replaces the investment with a qualifying one of an equal or higher value.

## **Please note**

This publication aims to present a summary of the main provisions and possible or typical solutions in the most plain and practical way possible. Whether or not what is presented could apply to a specific case will depend on its own facts and circumstances. We will be happy to discuss these facts with you and present you with possible solutions, in the most straightforward, accurate and comprehensive way possible. You can find our contact details at the back of this publication.

## **Insured Annual Income**

The applicant must demonstrate that he/she has at his/her disposal a secure annual income of at least €30,000. Such annual income is increased by €5,000 for each dependent family member and €8,000 for each dependent parent of the applicant and/or his/her spouse. In case the applicant opts for the first option of investment (house/apartment), he/she must prove that his income is derived from abroad. For the rest of the investment options the applicant's income may be derived also from sources and activities within Cyprus.

## **No intention to work in Cyprus**

The applicant and his/her spouse need to certify that they not intend to be employed or self-employed in any direct or indirect way in Cyprus. The only exemption to this is when the applicant chooses to invest in a Cyprus company, in which case he/she and his/her spouse are entitled to act as directors in that company as long as they do not receive a salary.

In case the investment is not in the share capital of a Cyprus company, the applicant and/or his/her spouse can own shares in companies registered in Cyprus and any dividend income from such companies shall not be considered as contrary to the provisions of the Programme.

## **Proof of Residence**

Where the applicant chooses to invest under criteria 2, 3 or 4 above, he/she should provide evidence related to his/her place of residence in Cyprus (title deed, sales agreement, rental agreement).

## **Provisions related to Investment in Real Estate**

At least 66% of the purchase price (with a minimum of €200,000 plus VAT – if applicable) needs to be paid prior to submitting the application. Evidence must be provided that the funds were produced and transferred from abroad. These funds need to be deposited in a financial institution in Cyprus in the vendor's bank account.

The purchase of real estate can be made by a legal entity in which the applicant and/or his/her spouse are the sole shareholders or Ultimate Beneficial Owners, and which entity is legally established in Cyprus or in another EU/EEA Member State.



## **Dependents**

The permit is issued to the applicant and it can include his/her spouse and dependent children up to the age of 18. The permit can also be granted to unmarried children of the applicant between the ages of 18 and 25, only when it is proven that, at the date of the application, they are attending higher educational institutions abroad and provided they are financially dependent on the applicant. Such dependent children must submit their own separate applications upon payment of the appropriate fee.

In case such children are enrolled as students in higher institutions in Cyprus, they will have to apply for a Temporary Residence Permit in their capacity as students under the relevant legislation. Upon completion of their studies, they will be entitled to apply for a Permanent Residence Permit, irrespective of their age, as long as the main applicant provides evidence of an additional insured annual income of €5,000 per annum. The permit will continue to apply after the age of 25, irrespective of whether the children are no longer students or financially dependent on the applicant and/or get married. It is understood that their spouse and their minor children may not be included as dependent persons in such a permit.

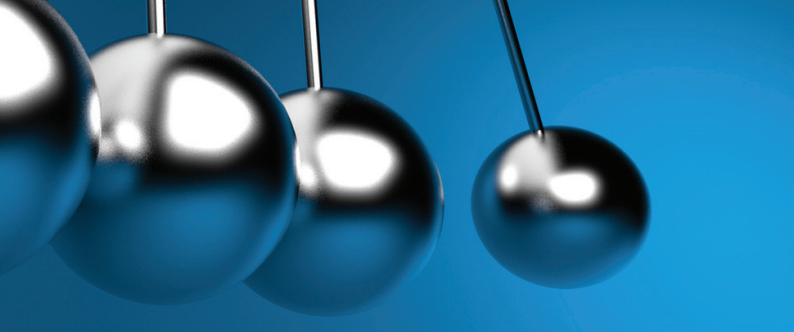
The parents and parents-in-law of the applicant can apply on the basis of the applicant's investment, with the prerequisite that the applicant will present evidence of an additional insured annual income of €8,000 for each dependent parent or parent-in-law.

An immigration permit may also be granted to the applicant's children even if they are over 18 years old and are not financially dependent on the applicant, provided that the investment of €300,000 is multiplied according to the number of adult children, which will rely on such investment. The investment can be made jointly in the name of the applicant and the adult child or solely in the name of the applicant.

In such cases, each adult child must be able to prove a secure annual income of at least €30,000, which will be increased by €5,000 for each dependent person.

## **Clean Criminal Record**

The applicant and his/her spouse must provide a clean criminal record from their country of origin and residence.



## **Visiting Cyprus**

The applicant and the members of his/her family covered by his/her permit must visit Cyprus at least once every two years.

## **Application Procedure and Examination**

Applications are submitted to the Civil Registry and Migration Department together with a payment of an examination charge of €500. The examination, assuming the application is complete and no further information is requested, takes on average 2 months.

## **Reduction/Abolishment of Property-Related Taxes**

The VAT provisions related to the application of the reduced rate of 5% (as compared with the standard VAT rate of 19%) on the construction or acquisition of residential property in Cyprus which is to be used as the primary and permanent residence were extended some time ago so as to include acquisitions by individuals, from all over the world, who do not ordinarily reside in Cyprus but acquire property to be used as their residence while they are in Cyprus.

The Land Registry (Duties and Fees) Law provides for full exemption from transfer fees for all transfers of real estate property for which VAT was payable on the transaction and 50% exemption from transfer fees for all other transfers.

As from 2017, Immovable Property Tax (IPT) has been abolished.

## **"Non-Dom" Regime**

The concept of "domiciled" persons for what concerns Special Contribution for Defense was introduced as from July 2015. Individuals who are tax residents of Cyprus but are not considered to be "domiciled" in the country are exempt from payment of Special Contribution for Defense on dividends, interest and rental income.

An individual can be considered as domiciled in Cyprus either (i) by domicile of origin or (ii) by domicile of choice, as defined by the Wills and Succession Law of Cyprus.

An individual who has a domicile of origin in Cyprus can still be considered not to be "domiciled" in Cyprus for this purpose under certain conditions.



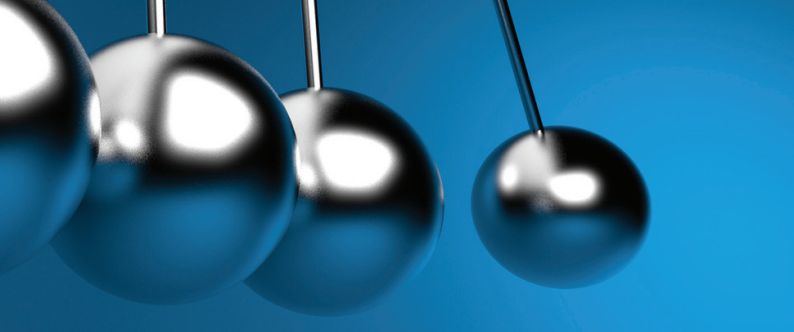
## **60-days Tax Residency Rule**

This provision, which was introduced in July 2017, provides an incentive to individuals who are not tax residents in any other country for any tax year to transfer their tax residence to Cyprus, as long as they satisfy the following requirements:

- not remain in any other state for one or more periods which in total exceed 183 days in the same tax year; and
- not be a tax resident in any other state for the same tax year; and
- remain in Cyprus for at least 60 days during the tax year; and
- pursue any business in Cyprus and/or work in Cyprus and/or be a director in a company tax resident in Cyprus at any time during the tax year; and
- maintain a permanent residence in Cyprus, either owned or rented.

## **50% Exemption on Employment Income**

This measure was implemented to attract foreign companies or groups to establish themselves or, as is usually the case, transfer their base and substance of operations in Cyprus by offering a 50% exemption on personal income tax. The exemption applies to employment income of a non-resident person taking up residence in Cyprus to work for an employer in the country. This exemption applies for a period of ten years starting from the first year of employment provided that the employment income of the employee exceeds €100,000 per annum either in that year or in any three out of five years preceding the year in which their employment commenced in Cyprus.



## **20%/EUR8550 Exemption on Employment Income**

This exemption has been in effect for many years and it has been mainly targeting expatriates and Cypriots studying abroad to return to Cyprus for employment. The exemption relates to the lower of 20% of employment income or €8,550 and applies for five years starting from the 1st of January of the year following the year of employment.

## **Incentives for the Cyprus Shipping Industry**

Cyprus has been a world renowned maritime center for more than 40 years and there is a very strong shipping industry in the country. This is due to many reasons, including the advantageous tonnage tax regime applicable as well as some other incentives for individuals involved in the industry, such as:

- the absence of any tax on dividends received by any shareholder (even Cyprus tax resident individuals) of a ship owning, chartering or ship management company.
- the exemption from personal income tax on the emoluments of officers and crew of a Cyprus vessel.

## **Special Tax Rate for Pensioners**

Foreign pensions have a very favourable status in Cyprus, involving a flat annual income tax charge of 5% for amounts exceeding €3,420 per annum. What is more, the tax payer has the right to choose to be taxed either under the special mode of taxation as stated above or at normal rates. The latter option might be more beneficial, depending on the circumstances, considering that the first €19,500 of personal income per annum is tax free.

It should be stressed that as pension income is generally treated as earned income in the country of origin, it is only by concession that a lower rate can be paid by living abroad as an expat. Such concessions are usually determined by Double Tax Treaties and Cyprus has many such treaties, which include the relevant provisions.

## About us...

Seamark Consultants Ltd was established in 2004 as Fiducenter (Cyprus) Ltd, a name which has been using up until January 2019.

We provide a comprehensive range of international business services related to Cyprus, including setting up and operating a business in Cyprus, becoming a resident, citizen or tax resident of the country, family office, accounting and tax compliance, corporate and secretarial, trustee, professional consultation and much more.

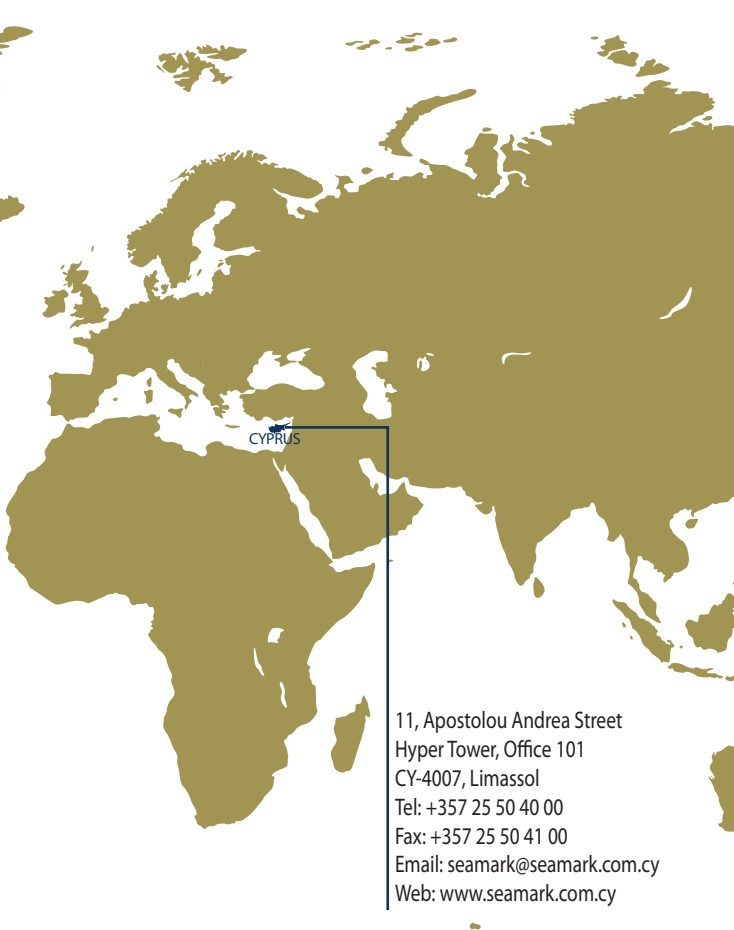
We are one of the very first companies in Cyprus licensed for the provision of Administrative Services and we are a founding member and the First President of the Cyprus Fiduciary Association.

As the human capital is the most important asset for every firm engaged in the professional services industry, our team comprises of highly qualified and experienced professionals including chartered and certified accountants, lawyers and corporate administrators.

Having the provision of top quality, prompt and efficient service as a guiding mark, we aim to help our clients achieve their objectives by creating long-lasting relationships based upon trust, respect, integrity and proactivity.

Our name and brand identity are inspired by what the role of a modern consultant should be...

## **YOUR MARK FOR A SAFE INTERNATIONAL BUSINESS JOURNEY**



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