

Summary Legal and Financial Information

Maispa Developers Ltd offers this publication as a courtesy to inform and provide general information about property investment in Cyprus.

Maispa Developers Ltd believes that the best client is an informed client, and for this purpose the Maispa Developers Property Guide has been published.

A key factor in making the right choice is to be able to rely on a well-established company with tradition. As a company with an excellent track record, Maispa Developers Ltd has, since 1988, grown into a company who cares for their valued customers.

Maispa offers full information, a comprehensive service and a permanent, retirement or holiday home of your choice. Each property is characterized by its incomparable quality and unique location.

The experience, tradition and credibility of Maispa Developers Ltd, is the best guarantee for any investment.

Disclaimer: While every effort has been made to provide true & accurate information, this is only meant for guidance purposes & that any information contained in this presentation while correct at publication should always be checked by a lawyer & that errors & omissions are expected & accepted.

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PURCHASE OF PROPERTY IN CYPRUS

Cyprus became a member of the EU on the 1st May 2004. Though the principle of a united Europe imposes for example the right to free movement of people or goods still there are some restrictions that apply in relation to the acquisition of property by non - Cypriots.

Before 1st May 2004 non-Cypriots were entitled to a freehold ownership of a villa or apartment or a plot of land with maximum allowed extent of 4014 sq.m. (3 donums). For the time being when a person is buying land there are no restrictions applicable either for the extent or the number of plots and the same applies if a person who is considered under the Law a "permanent resident" of Cyprus is buying house or houses. On the other hand someone who is buying a house as his/her "secondary residence" his/her right is limited to one property per family.

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 Euro 170.860.14 thereafter the rate is 0.20%. The amount should be paid within 30days as from signing the contract in order to avoid the payment of a fine. Euro0.00 – Euro 5000 rate is 0%

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 6 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

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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 3-4 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 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

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 2 – 3 weeks 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 of the Land Registry Office once the necessary permissions are granted (as prescribed above) and as soon as a 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.

However, the Act has been amended, and for a limited period, effective from the 2nd December 2011, until the 31st December 2016, any property transaction subject to VAT, is eliminated and exempt of Transfer Fee costs, irrespective of the purchaser's country of origin or permanent residency.

Furthermore, for a limited period, effective from the 2nd December 2011, until the 31st December 2016, any property transaction NOT subject to VAT, which is been transferred and/or submitted, to the local Land Registry Office, since the issuing of the relevant Planning Permission or Building Permit, is eligible for a 50% reduction of Transfer Fee costs, provided the date stipulated on the signed Contract of Sale, submitted to the relevant Land Registry Office, is within the required period of validity of the Act.

Under the amended Act, any Contract of Sale which had been submitted before the passing of the amended Act, and which is withdrawn after the date on which the amended Act became effective, is not exempt from paying Transfer Fee cost. In addition, no exemption from paying Transfer fees shall apply to any Contract of Sale bearing a date preceding that on which the amended law came into force.

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Transfer Fees- Rate Scale

0 - 85.430 Euro	@ 3%
Euro 85.430 - 170,860.14	@ 5%
Over €170.860.14	@ 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 Euro 153.774

The first	€ 76.887 x 3% = €2.306.61
Next	€ 76.887 x 3% = €2.306.61

Total	€ 4.613.22

6. Solicitor Fees

Solicitor fees are discussed and agreed upon between the Purchaser and their independent solicitor, based on services required, in general solicitors fee are calculated as 1- 2% plus vat towards the purchase price of the property ,excluding any other disbursements if any.

7. Immovable Property Tax (Applicable from the 1st January 2013)

The revised law, which was introduced in May 2013, The registered owner of a property is liable to an annual immovable property tax calculated on the Land Registry's assessment of the value of a property as on 1st January 1980* as follows.

<u>Value of the property in Euro</u>	<u>Annual Tax</u>
1 – 12,500	0
12,501 to 40,000	0.6%
40.001 - 120.000	0.8%
120.001 - 170.000	0.9%
170.001 - 300.000	1.1%
300.001 - 500.000	1.3%
500.001 - 800.000	1.5%
800.001 – 3,000.000	1.7%
Over 3,000.001	1.9%

- The Immovable Property Tax is calculated on an Accumulated Scale.

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- If the same property is registered jointly (husband and wife) each of their IPT liability will be calculated on half the 1980 value*
- *By 2017 IPT will be abolished.

8. 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.

9. Vat

Disposals of newly-constructed properties for which a proper application for the planning permit has been submitted with the relevant authorities after 1/5/2004 are subject to the 19% prevailing VAT rate of the Republic of Cyprus. (see special announcement below)

However, for a limited period effective from the 2nd December 2011, until further noted, any property transaction subject to VAT, is eliminated and exempt of Transfer Fee costs. (See point 5 above), irrespective of the purchaser's country of origin and permanent residence.

Furthermore, according to the amended VAT legislation, effective from the 1st October 2011, and until further notice, Permanent residents of the Republic of Cyprus, may apply to the relevant local Vat authority for a reduced 5% VAT rate, on any dwelling/property that is subject to Vat, provided that it will be used as their primary and only permanent residence within the Republic of Cyprus, including certain additional conditions.

Some of these additional requirements and conditions to be eligible for the reduced, 5% VAT rate are:

- a) The applicants application must be accompanied with the appropriate Town Planning Permission of the relevant property, dated after the 1st May 2004, reflecting and verifying that the property is subject to Vat.
- b) Members of Third countries are eligible and entitled to apply for the reduced 5% VAT rate.
- c) The purchaser (applicant) must be of the minimum age of 18 years or older on the date of application. Foreign student residing within the Republic of Cyprus are not entitled and eligible for the reduced 5% Vat rate.
- d) The 5% Vat rate is applicable and eligible only to a property or dwelling that will be used as the primary and permanent residence of the applicant, within the Republic of Cyprus. Married couples are only entitled to apply for the reduced 5% VAT rate, on one dwelling/property between themselves.
- e) The eligible and entitled applicant for the reduced 5% Vat rate, must provide with their application, within six months of the delivery of the property, to the relevant Vat Authority, supporting and substantiating evidence that the property/dwelling is been used as their primary and permanent residence e.g. Copy of Contract of Sale, Copy of telephone bill; Copy of electricity and water bill; Copy of municipal services bill.

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- f) The total area of the residence must not exceed 275sqm. The reduced 5% VAT rate is limited to the first 200sqm. (Note: In cases of large families with 4 or more children, the total area of 275 sq.m may be increased by 15 sq.m for each additional child beyond three).
- g) The 5% reduced vat rate is applicable and eligible only to Contract of Sale's that have been signed and effective as from the 1st October 2011, for all the agreements or acquisitions which were concluded prior 1st October 2011, the previous legislation of refund of VAT on the construction or acquisition of first residence applies.

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 is exempted.
- . The first €25.629 of gain 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)
- A new tax incentives package has introduced a full exemption of any future sale of immovable property acquired between the day the law is enacted and the 31st of December 2016 from the capital gains tax, provided that:
 - The property has been acquired from an independent third party; and
 - The property has not been acquired through an exchange of property or through donation/gift.

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 individual

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Income Euro	Tax Rate	Tax amount Euro	Accumulated Tax Euro
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 Euro 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 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 12.5% and all expenses incurred wholly or exclusively in earning the income of the company are deducted.

14. INHERITANCE TAX

Inheritance Tax has been abolished with effect 1 January 2000, and is no longer imposed

15. Immigration Permits

Immigration permits are equivalent to a permanent residency permit that can be sought by persons from third countries (eg. Russia; China; India; Middle East; South Africa) who buy a residence in Cyprus.

Such persons are exempted from time consuming procedures which apply to nationals of third countries and who now require consular visas, renewal of permit of stay, permit for re-entry etc. It is made clear, however, that such permits will be given by the Minister of the Interior subject to certain terms and conditions.

(a) ANNOUNCEMENT MINISTRY OF INTERIOR

New and accelerated procedure for granting Immigration Permit to applicants who are third country nationals and intent to invest in the Republic of Cyprus

1. According to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, the Minister of the Interior decided to issue Immigration Permit to applicants, who are third country nationals, provided that they fulfill the following criteria:

(a) The applicant with his wife/her husband must prove a secured annual income of a capital of €30.000 at least,, from sources other than employment in Cyprus. The required income of €30.000 could derive from salaries of employment abroad and not in Cyprus, pensions, stock shares, rents, etc. The necessary minimum annual income is increased by €5.000 for each dependent person.

(b) The applicant must submit the application form accompanied with a Title of ownership or contract of sale, of a property in Cyprus, a house, apartment or other building, of a minimum market value of €300.000 and proof of payment for at least €200,000 + vat (if applicable) or 66% +vat(if applicable) of the Purchase value,. The contract of sale should already have been submitted to the Department of

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Lands and Surveys. For purposes of this policy, the applicant may buy up to two housing units (apartments or houses), or a housing unit and a store with an area of 100 sq.m., or a housing unit and an office with an area of 250 sq.m., given that the total market value meets the provisions above. The said sale must be for unit(s) sold by a development company to a buyer for the first time. From 07.05.2013, for the purposes of this policy, Applications concerning resale's of homes will not be accepted.

(c) The applicant must submit a confirmation letter from a Cypriot Bank stating that he has deposited a minimum capital of €30.000 in an account, which will be pledged at least for a three year period.

It is noted that the amounts mentioned in paragraphs (b) and (c) should be proven to have been transferred to Cyprus from abroad.

(d) The applicant must submit a Criminal Record Certificate (if the applicant resides abroad), which must be issued by the Authorities in his country of origin, and he should not constitute in general any threat against public order or security in Cyprus.

(e) The applicant should submit a Statement that he does not intent to work or be engaged in any form of business in Cyprus.

(f) The applicants should visit Cyprus at least once every two years.

16. SCHEME FOR NATURALISATION OF INVESTORS IN CYPRUS BY EXCEPTION

On 28th March 2014, the Cyprus Government announced changes to the legislation that enables foreign investors to become a Cypriot (EU) citizen and obtain a Cypriot passport through naturalization, making it more accessible and affordable than ever. One of the key benefits of the Cyprus citizenship program is that it involves a secure investment, rather than a donation like in many countries. The new investment schemes are as follows:

1. €2m Investment in a single luxury property or
2. €2m Accumulative Investment in various real estate plus €500,000 permanent residence.

Conditions: To maintain the citizenship, the investor must always keep in his possession a real estate property of minimum value €500,000 which will be declared as his permanent residence whereas the remaining investment may be sold after 3 years.

- Any property purchased during the past three years will count towards the above mentioned investment figures. In such cases the purchaser must acquire additional real estate to reach the total required investment. However, a three year period must not have passed before the application submission.

- Applicants must hold a clear criminal record from the country of origin and or Cyprus.

- Applicants will be part of a collective real estate purchase scheme.

A minimum 5 applicants for scheme 2.

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