



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 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 Immovable Property

The main criterion in order to qualify for the scheme is the acquisition of up to two properties in Cyprus with a total value of not less than €300,000 (excluding VAT and transfer fees). Below there is a summary of the main conditions, surrounding this investment:

- At least 66% of the acquisition price must be financed with funds transferred from abroad.
- The purchase of a house will also be accepted even if it is made under the name of a company and not under the applicant's name, provided that the Company is registered in the applicant's name and/or the applicant's name and his/her spouse and s/he/they are the sole shareholders.
- Qualifying properties for the scheme will be only those sold by a development company to a buyer for the first time. Applications concerning the resale of houses will not be accepted.
- Houses/apartments can be independent from each other, but must be sold by the same company.
- The permit will be withdrawn if the holder becomes a permanent resident of another country (not his own).
- In case the property/ies based on which the permit was granted is/are sold, the permit will be withdrawn. Periodic checks will be undertaken towards this direction.

Application and Supporting Documents

The applicant, along with his/her application for a permanent permit, must submit the following:

- title deed or property purchase agreement deposited with the Land Registry Department as a proof of investment in immovable property and receipts as evidence for settlement of at least 66% of the value of the property;

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.

- certificate of clean criminal record from the country of the applicant;
- evidence (tax returns, bank statements, share certificates, rental agreements, etc.) of an insured annual income of at least €30,000 per annum, increased by €5,000 for each dependant;
- certificate from a Cyprus bank that s/he has deposited an amount not less than €30,000 in an account blocked for a period of at least 3 years;
- confirmation by the applicant that s/he does not intend to be employed or self-employed in any direct or indirect way in Cyprus;
- evidence of visiting Cyprus at least once every two years – failure to provide this on a continuing basis will lead to cancellation of the permit once granted.

Children

An immigration permit may also be granted to the applicant's children, even if they are over 18 year old and are not financially dependent on the applicant, provided that each one of the said children has a minimum share in the purchase value of the acquired property amounting to €300,000 (e.g. if the applicant has a 30-year old child and wishes to acquire an immigration permit, then s/he must purchase a house worth €600,000; if s/he has 2 adult children that are financially independent, then s/he must purchase a home worth €900,000, etc.).

It is implied that in such a case, each child must submit with the application, all the necessary documents (e.g. insured annual income of €30,000, deposit of €30,000 in a Cypriot financial institution, which will remain blocked for 3 years).

The requirement for the applicant to visit Cyprus at least once every two years, also applies for the members of his/her family that are included in his/her immigration permit.

Procedure

The applications will be submitted directly to the Civil Registry and Migration Department (CRMD) together with a payment of an examination charge of €500. For the purpose of this particular type of immigration permit, an interview with the applicant will take place only in certain cases, when deemed necessary by the General Director of the Ministry of Interior. 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.

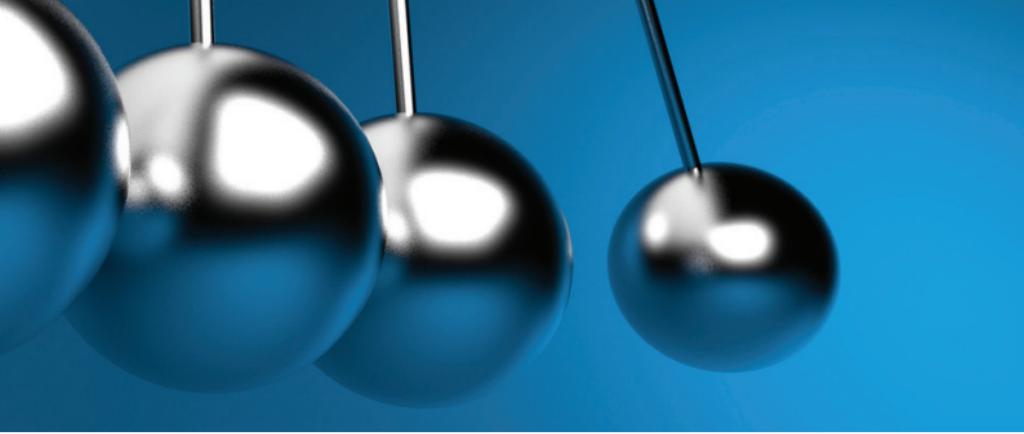
An individual can be considered as domiciled in Cyprus either (i) by domicile of origin or (ii) by domicile of choice, as defined by the Wills and Succession Law of Cyprus.

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 (DTTs) 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

