

Cyprus Investment Programme and Permanent Residence Permit

Introduction

In September 2016, the Cyprus' Council of Ministers approved the amendments to the Scheme for Naturalization of Investors in Cyprus by Exception. The specific Scheme aims to obtainment of the Cypriot Citizenship to the Investor (non-Cypriot citizen), the spouse, children as well as parents of the Investor (given to specific criteria). These amendments resulted in the required investment amount being reduced to €2 million in residential real-estate. The investment should either be made in person or through a company in which the applicant is a shareholder.

Further amendments were introduced in May 2018, and these can be summarised under three categories:

- A new cap of 700 applicants per year was introduced, starting from this year;
- Enhanced due diligence procedures will also be implemented and due diligence costs will be borne by applicants.
- The Cyprus Citizenship by Investment Programme has been renamed and is known officially known as the "Cypriot Investment Programme".

For further details refer to "**Cyprus Investment Programme**".

Main prerequisite for the Cyprus Citizenship is to have a **Permanent Residence Permit (PRP)** in Cyprus prior to his / her application for the obtainment of the Cypriot Citizenship. In the event that the applicant does not hold a residence permit, then he / she may apply for a Permanent Residence Permit – **Regulation 6(2)**, simultaneously with the application for the Citizenship.

Cyprus Investment Programme

A non-Cypriot citizen will now be eligible to apply for the obtainment of the Cypriot Citizenship, provided that one of the following investment criteria is met.

Eligibility:

The following non-Cypriot natural persons who meet of the set financial criteria are eligible to apply for the acquisition of Cypriot Citizenship:

- Natural persons, either personally or through a company in which they are participating as shareholders, in proportion to their holding percentage.
- Through investments made by their spouse or jointly with the spouse.
- As high-ranking senior manager of a company that meets one of the financial criteria below (provided that they receive a remuneration that generates paid tax revenues of at least €100.000 over three years).

Financial Criteria – Options:**Option 1 : €2 Million - Investment in residential real estate (real estate, land development and infrastructure projects)**

The applicant must have made an investment of at least €2 million for the purchase or construction of buildings or for the construction of other land development projects (residential or commercial developments, developments in the tourism sector) or other infrastructure related projects.

On the basis of this criterion, the investment in land under development is also included, provided that the investment will be supported with an investment plan for the development of the purchased land.

The €2 million investment in residential real estate must be held for a minimum of 3 years, after which the investment may be reduced to €500.000, which must be held indefinitely (excluding any VAT that was paid on initial acquisition).

Option 2 : €2.5 Million - Combination of Real Estate and/or other investments

A 3-year investment of €2 million (non-inclusive of VAT) within any of the following investment categories:

- a) **Investment in Eligible Real Estate (as explained in Option 1)**
- b) **Investment in financial assets of Cypriot companies**

The applicant must have made an investment in the purchase, creation or participation in companies that are based and operating in the Republic of Cyprus, amounting to at least €2 million. The respective amount must be invested to financially support the local operations of the companies. The investment to be made should be supported by a comprehensive investment plan.

It should be noted that these companies must have proven physical presence and significant activity in Cyprus with substantial turnover and employ at least five (5) Cypriot or European Union citizens, who have been legally and continuously living in Cyprus for a minimum of 5 years preceding the submission of the respective application. The minimum number of employees of the specific company increases in the event that more than one applicant invests in the same company.

- c) **Investment in Alternative Investment Funds (AIF's) or financial assets of Cypriot companies or Cypriot companies licensed by the Cyprus Securities and Exchange Commission (CySec)**

The applicant must have purchased units from AIF's which are established, licensed and supervised in Cyprus by CySec, amounting to at least €2 million. Such investments must be exclusively made in the Republic of Cyprus and fulfil the criteria of the Scheme and be approved by the Minister of Finance.

In order to confirm that the investments made, under this criterion, will be retained for at least a three-year period, the manager or the auditor of the Fund should provide annual reports to the Ministry of Interior and Finance with reference to the value of the initial investment.

An investor may acquire financial assets of Cyprus companies such as bonds, bills and securities amounting to at least €2 million, issued with the approval of CySec, by companies that have proven physical presence and substantial economic activity in the Republic and aim to finance the investment plans of these companies exclusively in Cyprus. The investment to be made in this respect, should be supported by a comprehensive investment plan.

- d) **Interest bearing Cyprus government bonds (0.75% per annum), provided the investment does not exceed €500.000.**

For Option 2, in addition to the above, investment of at least €500.000 (plus VAT of 0%, 5%, or 19%) in residential property, which must be held indefinitely. In the event that the amount of the residential property exceeds €500.000, then the additional amount paid can be considered as part of the total amount of the main investment

Additional conditions & requirements

- i) **The applicant needs to obtain a permanent residence permit in Cyprus for seven years prior to his / her application for the obtainment of the Cypriot Citizenship, once 30% of the deposit of the property value has been paid the application can be made.**
- In the event that the applicant does not hold a permanent residence permit, then he / she may apply for a Permanent Residence Permit – **Regulation 6(2)**, simultaneously with the application for the Citizenship (**see below**).
- ii) Additional documentation that needs to be submitted to acquire Cypriot Citizenship by Exception, include the following:
- valid passport,
 - clean criminal record from the country of origin and the country of residence (if different),
 - birth certificate,
 - marriage certificate,
 - Curriculum Vitae, etc.

Other important information

- The applicant is required to make the required investment during the three years preceding the date of application and should ensure that the said investment is retained for a period of at least three years from the date of acquiring the Citizenship
- Family members that can participate in Citizenship:
 - Spouse/ partner: The investor's spouse or partner may acquire the Cypriot Citizenship. Their application may be filed simultaneously
 - Minor children: Dependent children up to the age of 18 may apply, after the investor acquires the Cypriot Citizenship and provided that the other parent consents to the grant of the citizenship

- Adult financially dependent children: the right to apply for citizenship is also granted to the financially dependent adult children of the investor belonging to one of the following two categories:
 - students up to the age of 28
 - children with severe physical/ mental disability that prohibits employment
- In both Options mentioned above, the parents of the main investor can also be included within the same application, **with an additional investment of €500.000 (plus VAT) in residential property**. The investor and his/ her parents may collectively acquire one residential property of a total value of at least €1.000.000 (plus VAT).
- Notwithstanding compliance with the above conditions, the decision to grant Cyprus Citizenship by exception remains at the absolute discretion of Council of Ministers
- It should also be noted that the above regulations are subject to change, at any time, following a decision of the Council of Ministers.

Permanent Residence Permit (PRP)

A permanent residency permit can be obtained through purchasing property in Cyprus (the fast track or normal option outlined below) or can be granted to applicants (and their family members) who have legally resided in Cyprus for a certain continuous period.

A) Permanent Residency on a "fast-track" basis (Regulation 6(2) application)

The **Permanent Residence Permit – Regulation 6(2) of the Aliens and Immigration Regulations**, refers to individuals who have purchased a new (not resale) property residence for himself and his family in Cyprus of no less than €300.000 (before VAT).

Criteria

- i) Title deed or purchase agreement of a new (**not resale**) residential property, issued on the name of the applicant, and the vendor must be the Developer who built this property. The minimum market value of the property should be €300.000 plus VAT and proof of payment for at least €200.000 plus VAT. A reduced VAT rate of 5%, is applied for first residences provided that certain conditions are met. The reduced rate of 5% VAT applies to the first 200 square meters of the residence's buildable area as determined by the building coefficient of the property and anything above 200 square meters of the residence's buildable area as determined by the building coefficient of the property is subject to the standard rate of VAT, currently 19%. The respective investment should be transferred from an International Bank to a local Cypriot Bank.

It is possible to buy two properties, as long as they are both new and from the same Developer, such as:

- House (or apartment) + house (or apartment)
- House (or apartment) + shop up to 100 m²
- House (or apartment) + office up to 250 m²

In the case of a couple, these restrictions apply for the couple and not for each of the persons involved.

- ii) The applicant must prove that he has at his disposal a secured and steady minimum income from abroad of at least €30.000, from sources other than employment in Cyprus. The required income of €30.000 could derive from certificates of dividends, certificates of fixed deposits, pension statements, rents or salary from employment abroad and not in Cyprus (The necessary minimum income is increased by €5.000 for the spouse and for each child and by €8.000 for each parent of the main applicant and/or the spouse of the main applicant.)
- iii) The applicant must submit a confirmation letter from a Cyprus Bank, showing deposits in a local account of a minimum capital of €30.000, from sources other than employment in Cyprus. **The capital should be transferred from an International Bank to a local Cypriot Bank and it should be pledged for at least a period of three years (3-year fixed deposit account).**

Additional conditions & requirements

- i) Documentation that needs to be submitted to obtain Permanent Residence Permit, include the following:
 - Copy of valid passport
 - Copy of valid temporary residence permit (if the applicant resides in Cyprus)
 - Curriculum Vitae (including academic qualifications),
 - Notarized Certificate of graduation diploma, duly translated in English
 - Sale Agreement or Title Deed of the property in Cyprus
 - Declaration regarding the income of the applicant,
 - Confirmation that the applicant has no intention to work or to be engaged in any form of business in Cyprus,
 - Apostil clean Criminal Record Certificate (if the applicant resides abroad), which must be issued by the Authorities in his country of origin
 - Bank statements and certificate from a local bank (Cypriot) evidencing the movement of the account of the applicant
 - Sworn declaration that the funds for the family's maintenance in Cyprus are proven through supporting evidence which accompanied the application of the applicant
 - Copy of health/medical insurance contract,
 - Marriage certificate duly translated in English
 - Certificate of birth of the children of the applicant, duly translated in English and stamped or apostilled
 - Passport photos of any family member/s

ii) Applicants should visit Cyprus at least once every two years

iii) It is noted that the alienation of the purchased property without an immediate replacement with another property, of the same or/and higher value and in accordance with the conditions of this procedure, (i.e. sold for the first time by a development company), will result to the cancellation of the Immigration Permit pursuant to the provisions of Regulation 6(2) of the Aliens and Immigration Regulations.

Therefore, the applicant must state that his/her permanent residence is in Cyprus. **(Tip: The Residence can be rented-out)**

Otherwise, the permit is revoked when the holder is granted a permanent residence permit in another country (other than the country of his nationality) or when he does not visit Cyprus for a period of two consecutive years.

iv) With the fast track procedure, unmarried children aged between 18 and 25, who prove that they are students in an institution of tertiary education abroad with at least six months of remaining study period from the date of the submission of the application and, furthermore, that they are financially dependent on the applicant, may submit a separate application to obtain an Immigration Permit with the payment of the relevant fee.

In such a case, the father or mother and/or both parents together must present an additional annual income of €5.000 for every such dependent child (already mentioned above).

It is noted that every such dependent child, shall submit with his/her application, all the documentation defined in the relevant list.

The said permit is still valid even if the holders have exceeded the age of 25 years old and even if they do not remain unmarried and/or students and/or financially dependent on their parents.

It is noted that their future spouses or underage children cannot be included as dependent persons on this permit.

v) With the fast track procedure, an Immigration Permit may also be granted ***to children of the applicant over the age of 18, who are not financially dependent on the applicant, provided that the market value of the acquired real estate attributed to each such child is at least €300.000 (excluding V.A.T.).***

Example: in the event the applicant has a child that is 30 years old and wishes to obtain an Immigration Permit, the applicant must purchase real estate valued at €600.000, if the applicant has two (2) adult children, financially independent, he/she must purchase real estate valued at €900.000 etc.). In such an event a payment confirmation for the 66% of the market value of the real estate must be submitted with the application (e.g. €400.000 for real estate of a market value of €600.000). It is noted that the purchase of the real estate must be made solely in the name of one or/and both parents, or solely on the child or on both parents and the child.

Provided that in such an event each child shall submit the necessary documentation with his/her application (e.g. secured annual income of €30.000, a deposit in a financial institution in Cyprus amounting to €30.000, which is bound for 3 years).

Other important information

- It takes approximately 2-3 months for the Permanent Residence Permit to be issued, from the date of submission of the required documentation
- The main requirement is that the investment and the income must come from legal sources from abroad (pensions, permanent deposits, business activities, stocks, company shares etc.), **regardless the fact that it may be a product of loan.**
This means that the applicant may obtain a loan but not straight from a Cyprus Bank.

B) Permanent residency on a "normal-track basis" (Category F - Regulation 5(f) application)

The **Permanent Residence Permit – Regulation 5(f) of the Aliens and Immigration Regulations**, refers to individuals who have purchased a property residence for himself and his family in Cyprus and have in his disposal fully and freely a secured annual income, high enough to give them a decent living in Cyprus without having to engage in any business, trade or profession. This income must come from legal sources from abroad (pensions, permanent deposits, business activities, stocks, company shares etc.). **There is not a minimum amount regard the investment.**, however if the applicant buys a property/residence in Cyprus and its value exceeds €300.000, the application for a permit Category F would have a better chance to be granted under the decision of the Minister of Interior of the Republic of Cyprus dated on 07.05.2009.

Criteria

- The minimum annual income required is €9.568,17 for a single applicant and €4.613,22 for every dependent person, but the Civil Registry and Migration Department may demand additional amounts as necessary. These additional amounts might consider annual maintenance expenses of the property, educational, medical and other needs of the family. It is necessary to take all needs of the family of the applicant and to offer solid evidence that the applicant is able to cover all those needs on the long run.
- Applicant does not maintain employment in Cyprus;
- Income is derived from legal sources abroad;
- Income is secure and provides stable support for the applicant and their family in the long run (including supporting evidence that all financial needs of the family are adequately covered);
- Clean criminal record;
- No sanction order to have been made against applicant or any dependents.

The main benefit of the 5(f) application is the lower threshold of annual income required, together with the flexibility of renting a house prior to outright purchase. It should be noted, that once the application is filed, the applicant is free to travel to and from Cyprus without any restrictions.

The main disadvantage of the above method of application is that it takes up to a year (officially – in practice it may even take longer) to have the Ministry of Interior's decision.

Other important information

- The permit is renewed every five years and exempts the holder from immigration entry procedures
- Once permit of residence is granted, the Immigration Authorities will for some time systematically examine the annual income of the applicant/holder of permit regarding the stability and reliability of the income claimed to be received. The application of the Category F permit may be rejected if there is reasonable doubt that the applicant or any of his dependents might become an unreasonable burden on the social welfare of the Republic of Cyprus.
- Once the permit under Category F is granted to the applicant, he/she cannot be/live outside Cyprus for longer than two years; otherwise he/she may lose the right of permanent residence in Cyprus.
- The property residence purchased for the applicant and his family in Cyprus does not have to be new and it does not have to be from a certified developer.
- Kids keep the permanent residency after they reach 25 years of age, but it must be proven that the adult child is still a dependent. If the child is under 18 years old then he/she has to apply separately and his/her application will be examined by a Committee.

C) Permanent Residency Permit based on legal stay (Long-Term Residence)

In accordance to EU Council Directive 2003/109/EC, a Long-Term Residence Permit is granted to individuals who have resided legally and continuously within the controlled areas of the Republic for 5 years prior to the submission of the relevant application and possess valid residence permits. Also, there is a requirement that, if the applicant was absent from the country, each period of his absence should not be more than 6 months, and the overall period of absence must not exceed 10 months.

It has a five-year duration and is renewable upon expiry. This permit allows the holder to permanently reside in Cyprus without having to go through immigration procedures such as visas, issue and renewal of temporary residence permits etc.

A long-term residence permit holder has access to employment in all international/local companies and has the right to change employer. The holder has the right to state education, vocational training and recognition of professional diplomas. The holder can also be granted relevant rights in other EU member states according to each state's national legislation.

The applicant should have adequate income from employment or/and other sources to support himself and the dependents and available suitable accommodation. Lastly, an employment contract of at least 18 months (or open duration) should be held by the applicant.

The applicant should hold a certificate of knowledge of the Greek language and history; even though employees of international companies are exempted from this when they apply for the first time.

The application is submitted to the Civil Registry and Migration Department which transfers it to the Migration Control Committee; the authority that examines and issues decisions on such applications. The examination period is usually 6-12 months.

D) Permanent Residency Permit for EU citizens

National from EU Member States have the right to enter Cyprus by simply showing a valid EU Passport or ID Card without having to register upon arrival. If there is an intention an EU Citizen to stay for more than three months (and/or take up employment) **will need** to register with the relevant authorities in Cyprus.

The application for the residence permit must be submitted before the expiration of the 3-month period to the Civil Registration and Migration Department, through the local Immigration Branch of the Policy. The said residence permit is issued within six months from the date of application and the submission of the required documents by the applicant). When the residence is renewed for the first time, the period of residence permit can be restricted to one year (subject to employment status of the applicant). Normally, the residence permit for employment purposes is valid for a 5-year period.

Further details for this aspect can be found at <http://www.cyprusvisa.eu/cyprus-eu-residence-work-permit.html>.

Tax Facts

The obtainment of a **Cypriot Citizenship** or **Permanent Residence Permit** does not in itself influence the tax treatment of an individual. **Tax is imposed based on the tax residency and domicile of an individual.** In general, a Cyprus tax resident individual can benefit from a number of tax incentives, as follows:

- No tax on dividend and interest income assuming he / she is also non-domiciled in Cyprus
- No tax on any profits earned from the disposal of securities including shares and bonds
- Tax exemption of 50% of gross employment income earned in Cyprus by an individual earning more than €100,000 of gross employment income per annum and who was resident outside of Cyprus before the commencement of his / her employment in Cyprus (available for 10 years)
- Tax exemption of 20% of gross employment income (up to a maximum of €8.550) earned in Cyprus by an individual earning less than €100,000 of gross employment income per annum and who was resident outside of Cyprus before the commencement of his / her employment in Cyprus (available up to 2020)
- No tax on employment income earned for offering services to an overseas employer or to an overseas permanent establishment (PE) of a Cypriot employer for more than 90 days in a tax year
- No tax on total taxable income up to €19.500
- No tax on any lump sum received as a retirement gratuity
- 5% tax on pension received from abroad exceeding €3.420
- No estate duty, wealth, gift or inheritance tax.

How We Can Help

Our team of experienced professionals can assist you in exploring all alternatives for obtaining permanent residency or citizenship status, including:

- Preparation and submission of relevant forms to the authorities,
- Representation and communication with the authorities,
- Help you Identify and select appropriate real estate solutions in cooperation with reputable organizations, operating in the local real estate market,
- Undertake real estate due diligence to evaluate prospective investments, including real estate valuation services, legal inquiries and review of the associated purchase contracts,
- Handle the transaction procedures and client representation during the conveyancing process at the relevant local authorities.

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