

A guide to buying a property in Cyprus

The process of buying real estate in Cyprus by non-Cypriots has been simplified since 2004, when Cyprus joined the EU. From this point, most of the restrictions on buying a property were lifted for EU citizens. Foreigners can buy a home in Cyprus, and are entitled to hold freehold land. A permit to register a property is needed from the government, but can easily be obtained through a lawyer.

The legal processes of property buying in Cyprus is based on English law.

1. Find a property After you find a property and the offer is accepted, a vendor usually asks for a holding deposit, which reserves your property. The deposit is usually not exceeding 1 % of the sale price. To check that you know exactly where your money is going and for what purpose you should have an independent lawyer on standby before you start your property search, so you can have good legal advice.

The appointed lawyer makes checks on the vendor, boundaries, land zoning and title deeds through the District Land Office. Once these have been deemed acceptable, the lawyer can draw up the sale contract, which both parties will sign.

This whole process is designed to transfer good legal title on the property.

With off-plan or uncompleted properties, it is vital to ascertain the financial standing of the developer, to ensure that the company is secure and should not encounter any financial difficulties during the construction of the property. Your lawyer should check this at the Companies Registry before you sign a contract. If you are buying a new or recently built property, you will need to be sure that planning permission and building authority licenses have been complied with fully. If there are any problems with non-compliance this could prevent you from transferring the title into your name in the future. One of the most important legal checks in Cyprus is over debts on the land. In the past, developers have taken out mortgages on the land and not paid them back, leaving the unfortunate house-purchaser not owning the land on which their home has been built. If all is well the lawyers will then draw up the contracts outlining the conditions of the sale.

2. Sign the preliminary sales contract The contract is drawn up, and on signing, the buyer has to pay 10 % for a resale property, or usually 20 – 30% for new-build., the remainder being payable according to the contractual terms agreed.

3. The contract upon signature: Once you have signed the contract of sale, your lawyer files this with the land registry within 60 days. Buyers need to present bank and character references with the application. The balance of the money is generally paid on completion for resales and in stages agreed by the developer for new-builds.

A non-Cypriot buyer must then make an application to the Council of Ministers to acquire immovable property – largely a formality - including bank reference, criminal records, the size of the land, and a statement that this is the only home he will hold in Cyprus. Though the procedure can take up to one year, there is meanwhile no restriction on using the property, and in the unlikely event that approval is not granted, the buyer can re-apply.

In 2011, a new law was introduced to increase safeguards and give the purchaser the right to deposit a copy of the sale contract at the Land Registry and therefore to register the property in the purchaser's name.

The sales contract must be deposited with the Land Registry to protect the buyers rights and put a charge on the property. The buyer will need have sufficient capital at the outset to cover all of the various charges and taxes.

European Citizenship and permanent residency programme: Cyprus also has one of the cheapest “golden visas” – the citizenship for investment programme whereby if you buy a property you get a visa or passport – which is tempting non-EU buyers. For further particulars, you can contact the team of ECSM Property Ltd, we have a legal advisor based in Cyprus who can provide a specialist legal advice on such topics.

Tax:

The local authorities will make an annual charge to cover such services as street lighting and refuse

collection. The amount depends upon the area and the size of the property but generally ranges between €85 and €308 per annum at present.

Pension and investment income: Expatriate retirees are taxed at a flat five per cent per annum on pension and investment income brought into Cyprus, with exemptions totalling around €6,800 per person.

Immovable Property Tax is imposed on the current market value of the property and applies to the immovable property owned by the taxpayer on 1st January each year from 2013.

IMMOVABLE PROPERTY TAX	
PROPERTY VALUE , (€)	TAX RATE
€0-€12,500	0%
€1-€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-€3000,000	1,7%
Over €3000,000	1,9%

Capital gains tax: When you come to sell, Capital Gains Tax (CGT) is payable on your own, main home when you sell it in Cyprus. On gains from disposal of immovable property situated in Cyprus, the first €17,086 is exempt for each person. After that, capital gains tax is 20 %. The gain is the difference between the sales proceeds and the original cost of the property. The seller is entitled to a further allowance regarding the transfer fees paid, inflation rate per year and the cost of any additions made to the house. Gains from the disposal of a private residence are exempt up to €85,430 in total if the owner resides in it continuously for at least five years prior to disposal.

Inheritance tax: There is no inheritance tax in Cyprus.

Estimated Fee list for acquisition of property:

Transfer Tax:

The transfer tax is levied at progressive rates. The transfer tax is based on the purchase price or market value of the property, as determined by the Land Registry department. If the property is in joint names, the property value is halved, leading to lower transfer fees.

No transfer fees are payable if the transfer of immovable property is subject to Value Added Tax (VAT).

TRANSFER TAX	
PROPERTY VALUE , (€)	TAX RATE
Up to €85,430	3%
€85,430 - €170,861	5%
Over €170,861	8%

Value Added Tax (VAT)

VAT on new property is chargeable as of 1.May 2004. No VAT is payable on acquisition of a resale property.

The acquisition and/or construction of a first residence by eligible persons will be subject to a lower VAT rate of 5%.

This only applies if the property is to be used as the primary and permanent residence for the next 10 years.

The rate will apply for the first 200 sqm of residence.

VAT is payable on the sale of new buildings in Cyprus, at a rate of 19%.

Legal Fee for acquisition of immovable property:

Legal fees are generally 1% + VAT on the final amount in Eur on the investment amount

Acquisition of property includes receiving instructions, legal checking of contract, deposit of contract at District Land Office and follow up.

Stamp Duty:

Stamp duty rates are levied at progressive rates, depending on the purchase price of the property. Stamp duty is capped at a maximum of €20,000.

STAMP DUTY	
PROPERTY VALUE , (€)	TAX RATE
Up €5,000	0%
€5,000 - €170,000	1.50%
Over €170,000	2% (capped at a maximum of €20,000)

Real Estate Agent's Fee:

Real estate agents typically charge 5% of the purchase price as their commission. By law, minimum agent's fee is 3%.

IMPORTANT - Disclaimer :

The above information is provided as guidance only, ECSM Property Ltd. does not accept any liability for the reliability of the information and statements made as this is obtained from 3rd parties.

We always recommend you take legal advice from a fully qualified local Lawyer or Notary before buying a property overseas.