



Citizenship-by-Investment

With all the political and economic unrest occurring across the globe, it is unsurprising that so many high net worth individuals are seeking to swiftly acquire citizenship by investing overseas. An EU passport offers visa-free travel, the right to reside, work and buy property in the EU and security within the legal system to the applicants and their family members.

Given its strategic location, Cyprus has quickly become one of the ideal destinations for such investors. With its beautiful clear sandy beaches, tasty Mediterranean cuisine and climate, Cyprus is an ideal holiday destination for many. Its booming real estate market has led to an influx of investors and developers building exclusive villas all over the island. Main cities like Larnaca and Limassol have been undergoing major upgrades to cater to these changes, thus creating a blend of natural Mediterranean beauty of the island with the luxury and elegance of modern real estate and infrastructure.

In September 2016 the Council of Ministers introduced some changes to the existing citizenship-by-investment program, aimed to simplify the process and stimulate economic growth. The island's skilled work force,

attractive taxation and reliable services all contribute to make Cyprus a well-known financial center, thus giving investors the confidence and opportunity to invest even further, and prosper as a result.

Under the new program, the criteria are even more favorable as the minimum amount of investment has been reduced from €2.500.000 to just €2.000.000. The applicant will need to purchase a residential property of at least €500.000 + VAT, which must be held for life. The applicant's parents are also entitled to apply for the Cyprus citizenship-by-investment provided that they own a lifetime residence of at least €500,000 + VAT. As an alternative to this, the investor and his parents may acquire one residential property of a total value of at least €1.000.000 + VAT which will be allocated equivalently.

All applications should now be submitted on a standalone base – the criterion of Collective Investments has been abolished. Such applications are processed urgently, within two or three months, which makes Cyprus' citizenship-by-investment program one of the very best in Europe.



There are currently four routes to citizenship in Cyprus.

1. Investment in real estate, land development and infrastructure projects: The applicant should make an investment of at least €2.000.000 for the purchase or construction of immovable property or other infrastructure projects. The applicant has freedom of choice whether to invest in residential or commercial property or related to the tourism sector.

2. Investment in financial assets of Cypriot companies or Cypriot organizations: The applicant should make an investment worth €2.000.000 through the purchase, incorporation or participation in a Cypriot company. The company should have a proven physical presence in Cyprus with significant activity and turnover. At least 5 Cypriot or European citizens should be employed by the company.

3. Investment in Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by the Cyprus Securities and Exchange Commission: The applicant should make a purchase of units worth at least €2.000.000 from alternative investment funds (AIF) that are licensed and supervised by CySec. The investments must meet the criteria of the scheme or in areas approved by the Minister of Finance. Applicants may purchase financial assets of Cypriot companies in the form of bonds, bills and securities, although the Cypriot company or organization needs to have a physical presence and substantial economic activity in Cyprus. These investments need to be maintained for a minimum of three years. It should be noted that the purchase by an AIF of units in another AIF is excluded.

4. A combination of the above: The applicant is not restricted to one type of investment, provided that the total investment amount is €2.000.000. If the applicant

chooses to invest in a combination of the above, then there is also the option of purchasing special government bonds of the Republic of Cyprus worth up to €500,000. Investments in government bonds through the secondary market are excluded.

Whatever the client may choose either citizenship-by-investment or permanent residence he will be assisted throughout the process by G.KAIMAKLIOTIS&CO. There are essentially five steps in the application process and we will guide you and keep you informed throughout the entire process.

1. Selecting the Investment: Our expert team will undertake the task of carrying out research in the real estate market to give you the best possible advice on the available options for your investment.

2. Preparing the Application: The Client will receive a detailed application package explaining in detail what is required for either application. The most time consuming documents will be requested ahead of time to give the client time to prepare in advance.

3. Obtain Pre-Approval

4. Submit the Application: When an application is submitted to the Ministry of Interior, it is forwarded to the Ministry of Finance where the financial criteria are examined. Once the Ministry of Finance approves it, the applicant must proceed to make the investment. The application will then return to the Ministry of Interior and then to the Council of Ministers.

5. Issuing the Citizenship Certificate: A certificate will be issued after the Council ratifies the citizenship. The client will need to take an Oath and then the Citizenship Certificate will be stamped. Subsequently we will apply for a biometric passport which we can obtain in a matter of hours, at which point you are an EU citizen.

Permanent Residence

Cyprus also has a simple and efficient Permanent Residence scheme that only takes approximately two months to obtain from the date of submission. Category F (6) (2) gives a Non-National and his/ her family, including parents, the right to permanently reside in Cyprus. Cyprus has a great variety of private schools, some of the best beaches in Europe, and truly hospitable locals that make it a great place to retire, or to ensure children get a safe and wholesome education in a great environment by the sea.

The requirements are as follows:

1. One or two new real estate properties with total purchase cost of at least €300.000 + VAT. Applicants can purchase two residential properties or they can purchase one residence and one office, or a shop. The requirement here is not strict, although one of the properties needs to be a residential property.

2. At least €200.000 of the purchase cost should already be paid.

3. The applicant (s) should demonstrate a steady and sufficient income coming from abroad and unrelated to employment of any kind in Cyprus.

4. The applicant (s) should transfer their private funds from abroad to Cyprus and they should be deposited in a bank account in the Republic in a 3-year fixed deposit account.

Taxation

According to the laws of Cyprus, a person is considered a tax resident of Cyprus if they spend more than 183 days per year in Cyprus. Tax residents are taxed on all chargeable income derived from Cyprus and abroad whereas non-tax residents are only taxed on income accrued within the jurisdiction. Any payment of foreign taxes can be offset against personal income tax liability.

Income tax for individuals is taxed at progressive rates with a maximum of 35%. Immovable Property Tax is levied at 0.6%-1.9% on the value of the property in 1980 and is payable on 30 September each year. This amount is calculated per owner, not per property, for both legal and physical residents.

The corporate tax rate is 12.5% which is the lowest in Europe, making the incorporation of companies in Cyprus very attractive to businesspeople wishing to structure their businesses to minimize their tax liability. VAT of 19% is imposed on the supply of goods and delivery of services in Cyprus, including the acquisition of goods from the European Union and the importation of goods into Cyprus.

Exemption from Special Defense Contribution for Non-Domiciled Tax Residents

Cyprus also has beneficial legislation in place regarding residents who do not have their domicile of origin in Cyprus, whereby if for the past 17 out of 20 years, the applicant has not been a tax resident of Cyprus, then there is no obligation to pay the Special Defense Contribution Tax on dividends, which is currently levied at 17%. These tax incentives are given to encourage highly remunerated individuals who are willing to relocate to Cyprus, to benefit from the business-friendly environment.





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KAIMAKLIOTIS & CO is an international boutique law firm based in Cyprus with offices in Warsaw and the UAE serving a full spectrum of Clients around the world.

Our experience and local connections in Cyprus and around the world means that we are uniquely placed to help Our Clients resolve their most complex legal challenges wherever, having a full

understanding of, and appreciation for, local business culture and Client needs.

At KAIMAKLIOTIS & CO we see our clients as partners. Whether you have been with us for a long or short period, we are always responsible and always able to face any challenge that may arise.

Areas Of Practice

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