



CYPRUS INVESTMENT PROGRAMME

Advantages of the Cyprus Investment Programme:

- ✓ Approved by the EU
- ✓ Dual citizenship is permitted
- ✓ A straight forward and time-efficient route, enabling applicants to have their application reviewed in 6 months from the day of submission
- ✓ Residents of the Republic have the right to a visa-free entry into more than 150 countries.
- ✓ The investment assets can be sold after 3 years and additional investment of €500,000 to be held as a primary residence, indefinitely.
- ✓ No requirement to make a donation to the local government

LEGAL FRAMEWORK

The Government of Cyprus has established and revised the "Cyprus Investment Programme" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2017, with specific incentives, terms and conditions.

On the basis of the Programme, a non-Cypriot citizen, who meets one of the following economic criteria, may apply for the acquisition of Cypriot citizenship through naturalization by exception.

FINANCIAL CRITERIA

- At least €2 million investment in:
 - Real estate, land development and infrastructure projects or
 - Purchase or Establishment or Participation in Cypriot Companies or Businesses or
 - Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by CySec or
 - Combination of the aforementioned (Within this criterion the applicant may purchase special government bonds of the Republic of Cyprus, up to €500.000)

- The applicant should have made the necessary investments during the 3 (three) years preceding the date of the application and must retain the said investments for a period of at least 3 (three years) as from the date of the naturalization.

- If the investment involves the purchase of property or properties under construction for which the town-planning and building permits had not been ensured, this mandatory three-year period commences on the date that the town-planning permit is issued

OTHER REQUIREMENTS:

- The applicant must have a clear criminal record. Furthermore, his/her name must not be included in the list of persons whose assets, within the boundaries of the European Union, have been frozen as the result of sanctions.

Other required documents include the following:

- Birth Certificate
- Copy of passport
- Marriage Certificate
- 2 passport size photographs
- Curriculum Vitae (CV)
- Permanent Residency Permit

Note: All the documents issued by a foreign authority should be translated to either Greek or English and be duly authenticated (They should bear the stamp «APOSTILE», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country).

- The investor and his/her adult family members prior to their naturalization as Cypriot citizens must hold a residence permit in Cyprus.
- They may apply for an Immigration Permit on the basis of Regulation 6 (2) of the Aliens and Immigration Law, simultaneously with the application for naturalization.
- In all cases listed above, the applicant must hold a permanent privately-owned residence in the Republic of Cyprus, the purchase price of which must be at least €500.000 plus V.A.T. However:
 - a) In the event where the purchase value of the permanent privately-owned residence in Cyprus exceeds the amount of €500.000, part of this additional amount can be used for the purpose of supplementing the total amount of the investment.
 - b) If the applicant has invested in housing unit/units only, on the basis of the above criterion, the purchase of another permanent residence in Cyprus will not be required, if at least one of these housing units is worth at least €500.000 plus VAT and retained for life.
 - c) In relation to the parents of the investor and in order for them to be able to apply for citizenship they need to hold a permanent privately-owned residence in the Republic of Cyprus, the purchase price of which must be at least €500.000 plus VAT.
 - d) It is noted that members of the same family, who apply separately as investors, can collectively acquire a residence, provided that the total value of this home covers the amount of €500.000 per each applicant

BENEFITS

- ❖ Citizenship is granted to the applicant & his/her dependent family members (to the spouse or partner of the investor, to the parents of the investor and to the financially dependent minor & adult children)
- ❖ The timeframe for the completion of the examination procedure is approximately 6 months from the date of submission of the application
- ❖ There are no Greek language proficiency requirements
- ❖ The acquisition of Cyprus citizenship does not require the renouncement of existing citizenship, which may thereby be retained
- ❖ A combination of investments is available hence, allowing the investor to spread investment risks
- ❖ The island offers high standard of living, health and education as well as Mediterranean climate
- ❖ Modern legal framework

Criteria for Individuals to be considered as Cyprus Tax Residents

According to Section 2 of the Income Tax Law, an individual is resident in Cyprus, if he/she resides therein for a period or more which in aggregate exceed 183 days in a tax year. A tax year commences 1 January and ends 31 December.

In order to calculate the period of residence in Cyprus for tax purposes

- the day of departure from Cyprus counts as a day of residence outside Cyprus
- the day of arrival in Cyprus counts as a day of residence in Cyprus
- arrival and departure from Cyprus on the same day counts as one day of residence in Cyprus
- departure and arrival in Cyprus on the same day counts as one day of residence outside Cyprus

On 14 July 2017, the Cyprus Parliament approved the law amending Section 2 of the Income Tax Law retroactively as of 1 January 2017. Under the amended law an individual is considered as a tax resident of Cyprus if the individual satisfies either the “183 day rule” or the “60 day rule” for the tax year.

The amended “60 day rule” for Cyprus tax residency applies to individuals who in the relevant tax year:

- reside in Cyprus for at least 60 days, and
- do not reside in any other single state for a period exceeding 183 days in aggregate, and
- are not tax resident in any other state, and
- have other defined Cyprus ties. (See below)

To satisfy “other defined Cyprus ties” the individual must:

- carry out any business in Cyprus and/or be employed in Cyprus and/or
- hold an office (director) of a company tax resident in Cyprus at any time in the tax year, provided that such is not terminated during the tax year.
- maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by the individual.

The law is further amended to clarify that an individual that cumulatively meets all the above conditions shall not be treated as a Cyprus tax resident in the tax year if, during that year the exercise of any kind of business in the Republic and/or employment in the Republic and/or holding of an office with a tax resident person in the Republic is terminated.

Tax Residency Certificates – 183 days rule

The Cyprus Tax Department (CTD) has issued a Circular in mid-March 2017 regarding the issuing of tax residency certificates for individuals. According to the Circular, it is now possible for Cyprus tax resident individuals to request and obtain a tax residency certificate at any time during the tax year for which the certificate is requested.

The purpose in mind is to facilitate Cypriot tax residents who wish to benefit from the provisions of Double Tax Treaties between Cyprus and third countries, so as not to suffer withholding tax at source upon receipt of income from sources outside Cyprus.

Individuals can apply for a certificate of tax residence at any time. A certificate will be issued even if the applicant has not yet completed the 183 days of physical residence in Cyprus in the relevant year as long as he or she is registered with the Tax Department and has been issued with a tax identification number (TIN), on condition that he or she provides an affidavit stating that he or she intends to stay in Cyprus for one or more periods which exceed 183 days in total in the tax year.

The Circular goes further to clarify that if, for any reason, the applicants fail to become Cyprus tax residents during the tax year, they are obliged to inform the CTD accordingly, so that the certificate will be revoked.

Tax Residency Certificates – 60 days rule

The Cyprus Tax Department (CTD) has issued a Circular in mid-October 2017 regarding the issuing of tax residency certificates for individuals. According to the Circular, it is now possible for Cyprus tax resident individuals to request and obtain a tax residency certificate at any time during the tax year for which the certificate is requested.

The purpose in mind is to facilitate Cypriot tax residents who wish to benefit from the provisions of Double Tax Treaties between Cyprus and third countries, so as not to suffer withholding tax at source upon receipt of income from sources outside Cyprus.

Individuals can apply for a certificate of tax residence at any time. A certificate will be issued even if the applicant has not yet completed the 60 days of physical residence in Cyprus in the relevant year as long as he or she is registered with the Tax Department and has been issued with a tax identification number (TIN), on the following conditions:

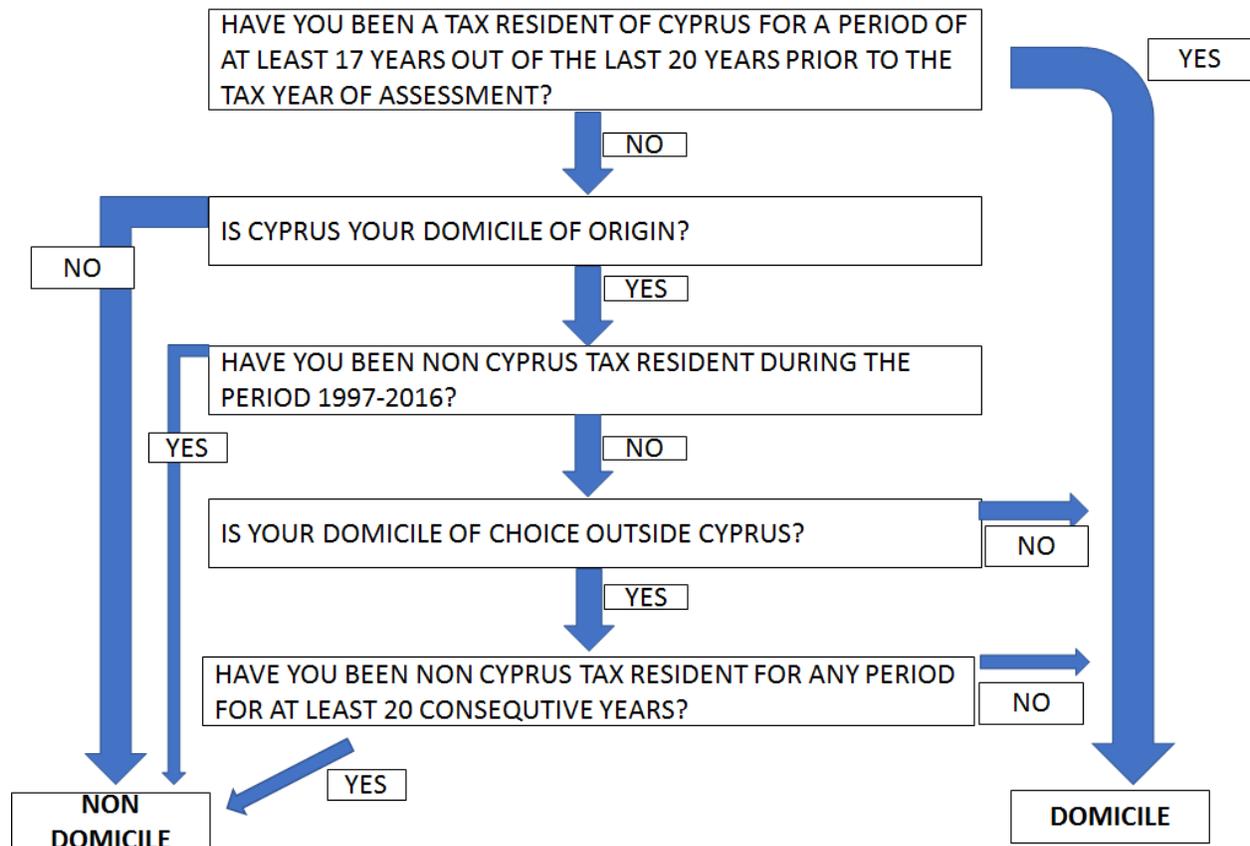
- he or she meets all the requirements of the 60-day rule
- the application for the issuance of the certificate relates to the receipt of dividends and interest from sources outside the Republic and the relevant evidence is provided to the CTD together with the application
- the tax authority or organization that the certificate will be provided should be specified.

Non – Domicile Cyprus Tax Residents

Individuals that obtain the Non-Domicile status are exempt from Special Contribution for Defence. Special Contribution for Defence is imposed on dividend income, ‘passive’ interest income and rental income earned by individuals who are both Cyprus tax resident and Cyprus domiciled. An individual is domiciled in Cyprus for the purposes of Special Contribution for Defence if (s)he has a domicile of origin in Cyprus per the Wills and Succession Law (with certain exceptions) or if (s)he has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.

Practical Application – Helpful Diagram

Assessment Year 2017



Personal Income Tax

The main types of direct taxes applicable to an individual in Cyprus are:

- income tax
- special defence contribution on dividend, interest and rental income
- capital gains tax on gains from the sale of Cypriot real estate

An individual working in Cyprus is also subject to social insurance and other contributions.

An individual is subject to income tax and/or special defence contribution depending on his/her tax residency and domicile status, a concept introduced in the Cyprus tax law in July 2015.

Basis of Taxation:

An individual who is tax resident in the Republic of Cyprus is taxed on income accruing or arising from sources both within and outside the Republic.

An individual who is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Personal income tax rates:

Taxable Income €	Tax Rate %	Tax €	Cumulative Tax €
0 – 19.500	0	0	0
19.501 – 28.000	20	1.700	1.700
28.001 – 36.300	25	2.075	3.775
36.301 - 60.000	30	7.110	10.885
60.001 and over	35		

Foreign pension income is taxed at the flat rate of 5% on amounts over €3.420. The taxpayer can however on an annual basis elect to be taxed at the normal tax rates and bands set out above.

Foreign taxes paid can be credited against the personal income tax liability.

Tax incentives/exemptions

Individuals who are Cyprus tax resident – whether this is determined under the “183 day rule” or under the “60 day rule” – are subject to tax in Cyprus on their worldwide income but certain **exemptions** apply.

The whole amount

- Dividend income (Note 1)
- Interest income (Notes 1 and 2)
- Gains arising from disposal of securities (Note 3)
- Remuneration from salaried services rendered outside Cyprus for more than 90 days in aggregate in the tax year for a non-Cyprus tax resident employer/foreign permanent establishment of a Cyprus tax resident employer.
- Profits of a foreign permanent establishment under certain conditions (Note 4)
- Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.
- Capital sums accruing to individuals from any payments to approved funds (e.g. provident funds)

50% of the remuneration

- Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment, exemption applies for a period of 10 years for employments commencing as from 1 January 2012 provided that the annual remuneration exceeds €100.000. For employments commencing as from 1 January 2015 the exemption does not apply in case the said individual was a Cyprus tax resident for 3 (or more) tax years out of the 5 tax years immediately prior to the tax year of commencement of the employment nor in the preceding tax year. In certain cases it is possible to claim the exemption where income falls below €100.000 per annum. (Note 5).

20% of the remuneration with a maximum amount of €8.550 annually

- Remuneration from any employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of the employment. For employments commencing during or after 2012 the exemption applies for a period of 5 years starting from the tax year following the year of commencement of the employment with the last eligible tax year being 2020. This exemption may not be claimed in addition to the immediately above mentioned 50% exemption for employment income. (Note 5)

Note 1: Such dividend and interest income may be subject to Special Contribution for Defence.

Note 2: Interest income arising in the ordinary course of the business, including interest closely connected with the ordinary carrying on of the business, is not considered as interest income and is not exempt.

Note 3: except in certain cases where the value of the shares derives from immovable property located in Cyprus.

Note 4: With effect as from 1 July 2016, taxpayers may elect to tax the profits earned by a foreign permanent establishment, with a tax credit for foreign taxes incurred on those foreign permanent establishment profits. Transitional rules apply in certain cases on the granting of foreign tax credits where a foreign permanent establishment was previously exempt and subsequently a taxpayer elects to be subject to tax on the profits of the foreign permanent establishment.

Note 5: Determining whether an individual was a tax resident of Cyprus prior to commencement of the employment is subject to conditions.

Tax deductions

The following are deducted from income:

The whole amount

- Contributions to trade unions or professional bodies
- Loss of current year and previous years (for individuals required to prepare audited financial statements, current year losses and losses of the previous five years only may be deducted)
- Donations to approved charities (with receipts)
- Special contribution (abolished as from 1 January 2017)

20% of rental income

- Rental income

Up to €1.200, €1.100 or €700 per square meter (depending on the size of the building)

- Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order.

Up to 1/6 of the chargeable income

- Social insurance, medical fund (maximum 1,5% of remuneration), pension and provident fund contributions (maximum 10% of remuneration) and life insurance premiums (maximum 7% of the insured amount)

Up to 50% of the taxable income as calculated prior to this deduction (subject to maximum of €150.000 per year)

- Amount invested each tax year as from 1 January 2017 in approved innovative small and medium sized enterprises either directly or indirectly. Unused deduction can be carried forward and claimed in the following 5 years, subject to the caps.

Special Contribution for Defence

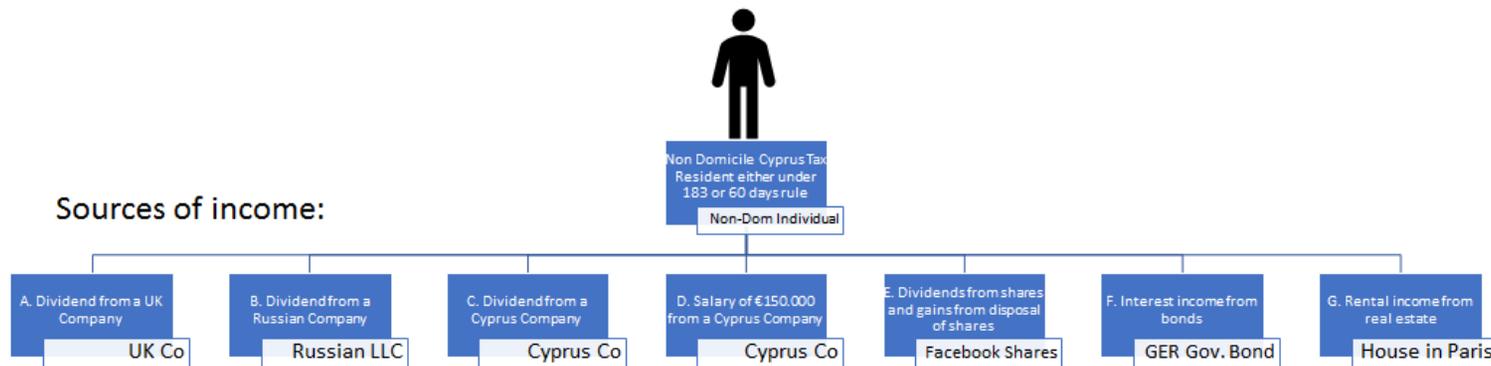
Special Contribution for Defence is imposed on dividend income, ‘passive’ interest income and rental income earned by individuals who are both Cyprus tax resident and Cyprus **domiciled**. It is charged at the rates shown in the table below:

<i>Type of Income</i>	<i>Tax Rate</i>
<i>Dividend income (Note 1)</i>	<i>17%</i>
<i>Interest income – passive (Note 1)</i>	<i>30%</i>
<i>Rental income (reduced by 25%) (Note 2)</i>	<i>3%</i>

Note 1: Exemptions and/or different rates may apply

Note 2: Rental income is also subject to personal income tax / corporation tax.

Practical Example – Helpful Diagram



Scenario	Personal Income Tax	Special Defense Contribution	Withholding Tax (DTT)
A – Dividend from a UK Company	EXEMPT	EXEMPT	15% applies to individuals regardless of their holding
B – Dividend from a Russian Company	EXEMPT	EXEMPT	5% or 10% If paid by a company in which the UBO has invested less than €100,000 in the share capital of the company paying the dividend.
C – Dividend from a Cyprus Company	EXEMPT	EXEMPT	N/A
D – Salary of €150,000 from a Cyprus Company	EXEMPTION OF 50% APPLIES	EXEMPT	N/A
E – Dividends from shares and gains from disposal of shares	EXEMPT	EXEMPT	N/A
F – Interest income from bonds	EXEMPT	EXEMPT	N/A
G – Rental income from real estate	DEDUCTION OF 20% APPLIES	EXEMPT	N/A

How can CFA assist you?

CFA has over the years assembled a team of professionals who may advise and guide you through the entire procedure for the successful acquisition of both Cyprus residency and citizenship. Our local knowledge, professional expertise and familiarization with local practices are at your disposal.

Additionally CFA can assist all impacted individuals in assessing their Cyprus tax position under the new amendments and what relevant action such individuals need to take.

Let's Talk

For a deeper discussion of how the above might affect you or your business, please contact:

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