



Legal considerations

Purchase of Property in Cyprus

Cyprus became a member of the EU on the 1st of May 2004 and the principle of a united Europe gives the right of free movement of people or goods. There are no restrictions on people within the EU buying property in Cyprus.

1. Contract of Sale

The lawyer responsible will draft the contract for the protection and interests of the buyer. He/she will examine the deeds from the vendor or the Land Registry Office and generally make sure that all the details correspond to the property or land in question. He/she will check that it can be sold to the prospective buyer ensuring that the buyer will be able to register the title deed into their name/s free of any encumbrances. When the contract is ready and approved it can be signed either by the buyer, or their lawyer by virtue of a power of attorney, this can also be used for all other necessary acts and documents until the completion of the transaction.

2. Stamp Duty

Once the contract is signed the purchaser is responsible for the payment of stamp duty at the rate of 0.15% towards the purchase price up to the value of €170,860.14, thereafter the rate is 0.20%. This amount should be paid within 30 days as from signing the contract in order to avoid the payment of a fine.

For example if the purchase price is - €256,290.22 First €170,860.14 x 0.15% = €256.29

Next €85,430.08 x 0.20% = €170.86

Total €427.15

3. Lodging a copy of the Contract of Sale with the Land Registry Office

From the date of signing the contract of sale the buyer has the right within 2 months to lodge the contract with the Land Registry Office for what is called specific performance purposes. This is very important for the protection of the buyer mainly for two reasons. Firstly, once the contract is lodged, the buyer is considered the beneficial owner of the property until both the beneficial and legal owner transfer the title deed into the buyer/s name. This is a clear declaration that the buyer/s has purchased the property in question and the Land Registry Office is aware of the transaction. The interest of the buyer/s is now protected, i.e. preventing the vendor to resell the property or land to somebody else, or obtain a mortgage over the property / land.

The second reason is to secure that the title deed will pass to the buyer even if the vendor is omitting to act for that purpose. Title deeds usually are ready 3-4 years after completion, this is considered a standard practice in Cyprus (unless the property sold is already built some years ago and is a single project, which may mean that the title deed is available when the contract is signed). At that time if the vendor for whatever reason is delaying or refusing to grant the deeds, the buyer can file an action against the vendor and ask the Court inter alia for an injunction for specific performance (to oblige him to grant the title deeds of the property) otherwise the only remedy available to the buyer would be an action for damages.

4. Permission from the Council of Ministers

Before transfer of the property sold into the name of the purchaser, permission must be sought from the Council of Ministers (District Office) by written application which must be submitted by the purchaser after the agreement is signed. However, this permission is granted more or less as a matter of course to all bona fide purchasers. This procedure may take 8 – 10 months but in the meantime, purchasers can take possession of the property without any restriction.

5. Transfer of Ownership at the Land Registry Office

The transaction is concluded with the transfer of ownership by a simple process of registration at the Land Registry Office once the necessary permissions are granted (as described above) and a separate title deed for the property is issued by the Land Registry Office, reflecting the property constructed on the plot of land. At this stage the buyer is responsible for the transfer fees. The rates are on a graduated scale on the purchase price i.e. up to €85,430 3%, from €85,430 – €170,860.14 the rate is 5% and over €170,860.14 is 8%.

For example if the purchase price is - € 153,774

First €85,430 x 3% = €2,562 Next € 68,344 x 5% = €170.86

Total €5,980

If the purchase and contract is made in two names the totals are divided by two giving you a reduction in these fees.

For example if the purchase price is - €153,774

First €76,887 x 3% = €2,306.61 Next €76,887 x 3% = €2,306.61

Total €4,613.22

6. Legal Fees

Legal fees are calculated as 1% towards the purchase price plus VAT and any other disbursements if any, with a minimum charge of €2000.

7. Mortgage Fees

The registration fee of a mortgage payable to the bank is 1% of the amount secured plus the relevant stamps

8. Immovable Property Tax

The registered owner of a property is liable to an annual immovable property tax calculated on the market value of the property as on 1st of January 1980 as follows

Value of the property in € Annual Tax:

0 – 170,860 = 0%
170,861 – 427,150 = 0.25%
427,151 – 854,300 = 0.35%
Over 854,300 = 0.40%

9. Other Taxes

The registered owner of a property is also liable to other minor taxation under other laws, such as municipal or village regulations. These taxes are calculated according to the area and the size of the property and cover sewerage, refuse collection and street lighting.

10. Capital Gains Tax

Capital Gains tax is levied at the rate of 20% on gains arising from the disposal of immovable property or the disposal of shares of companies the assets of which consist mainly of immovable property.

As a general rule the gain is calculated as the difference between the sale proceeds and the original cost of the property. Interest on payments paid for the acquisition, additions to the property and inflation rate as published yearly by the government are deducted from the fees

Moreover individuals are entitled to the following allowances which in essence minimize any capital gains tax payable :

- The first €17,086 of gains arising from the disposal of any property are exempted
- The first €25,629 of gains arising from the disposal of agricultural land are exempted (subject to certain conditions)
- The first € 85,430 of gains arising from the disposal of a house are exempted provided that the house is used by the owner for his own habitation for a minimum duration of 5 years (subject to certain conditions)

11. Personal Income Tax

All Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Individuals who are not tax residents of Cyprus are only taxed on income accrued from sources in Cyprus. An individual is a tax resident in Cyprus if he/she stays in Cyprus more than 183 days per year.

The following income tax applies to individuals.

Income €

0 – 19,500 19,501 – 28,000 28,001 – 36,300 Over 36,301

12. Pensioners

Tax Rate 0%

20% 25% 30%

Tax amount € 0

€1,700 €2,075

Accumulated Tax € 0

€1,700

€ 3,775

The pension for a person who is a resident of Cyprus, paid for services which have been rendered abroad, is taxable at 5% on any amount exceeding € 3,417= in a tax year.

13. Corporation Tax

All companies tax resident of Cyprus are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non – Cyprus tax resident company is taxed on income accrued from a business activity which is carried out through a permanent establishment in Cyprus. A company is a resident of Cyprus if it is managed and controlled in Cyprus. The corporate tax rate is 10% and all expenses incurred wholly or exclusively in earning the income of the company are deducted.