

## Investing & Buying Property in Cyprus

The current tax regime is one of the most favourable in the European Union. Cyprus also has a number of double tax treaties, including with the UK, which allows very efficient tax planning for individuals and business alike.

Buying a property in Cyprus is a simple, quick, effective and secure process with legal safeguards for foreign investors. Contrary to the risks inherent in the purchase of the property in some countries, Cyprus has never been involved in the nationalisation of any sector of the economy, nor in the expropriation of property owned by foreigners. Indeed the Republic has often guaranteed foreign investments jointly and severally with local participants, consistent with its efforts to create a favourable climate for such investments.

### Tax Advantages for Retirees

Compared with other international financial centres, Cyprus offers a distinct benefit in the form of double taxation treaties. In practice, the tax levied by one country is credited against the tax levied in the taxpayer's country of residence. Where different tax rates apply, the taxpayer will ultimately not pay more than the higher of the two rates of the respective countries. Cyprus also has very favourable tax rates for the retired expatriate:

**As a working taxpayer** the tax rates are as follows:

Amount of Income	Tax Rate
CYP 0 to 10,000	0%
CYP 10 to 15,000	20%
CYP 15 to 20,000	25%
CYP 20,000 +	30%

**As a retired taxpayer** you will have the choice to come under the working tax payers' band as above or the retired tax payers band as follows:

Amount of Pension Income	Tax Rate
CYP 0 to 2,000	0%
CYP 2,000+	5%

To be eligible for the Retirees tax bands you must not undertake paid employment of any kind.

UK citizens, having advised HM Inland Revenue of their change of residence, are able to have pension income and savings interest from the UK paid gross without the deduction of UK tax, and can be considered resident for tax purposes in Cyprus if residing here for 183 days or more in each tax year.

## Costs involved with buying property

### Transfer Fees

Transfer fees are liable to be paid by the purchaser when the property is registered in their name at the District Land Office. The fees are charged on the market value of the property at the date of purchase and are payable on a graduated scale:

Value of property in Cyprus Pounds	Transfer fee rate (%)
Up to 50,000	3
From 50,000-100,000	5
Over 100,000	8

For Example, if the purchase price is CY£ 90,000:

	Value	Transfer Fee Rate	Amount
The First	CY£ 50,000	3 %	CY£ 1,500
The Next	CY£ 40,000	5 %	CY£ 2,000
		<b>Total</b>	<b>CY£ 3,500</b>

Should the purchase be made in joint names (i.e. husband and wife, and provided that the total purchase price is more than £50,000 CYP) the calculation for the total transfer fee is as follows:

For Example, if the purchase price is CY£ 90,000:

	Value	Transfer Fee Rate	Amount
The First	CY£ 45,000	3 %	CY£ 1,350
The Next	CY£ 45,000	3 %	CY£ 1,350
		<b>Total</b>	<b>CY£ 2,700</b>

### Stamp Duty

Due at the time of signing the contract, stamp duty is levied at the rate of C£1.50 per C£1,000 up to the value of CY£ 100,000, and above that the rate is C£2.00 per C£1,000.

For Example, if the value (or purchase price) is CY£ 150,000:

	Value	Stamp Duty (£ per CY£1000)	Amount
The First	CY£ 100,000	CY£ 1.50	CY£ 150
The Next	CY£ 50,000	CY£ 2.00	CY£ 100
		<b>Total</b>	<b>CY£ 250</b>

## Immovable Property Tax

The registered owner of the property is liable to an annual immovable property tax calculated on the market value of the property as at 1 January 1980. In practice, therefore, very few properties are liable to this tax

Value of Property (in Cyprus Pounds)	Annual Property Tax (rate per thousand)
Up to 100,000	exempt
100,001 to 250,000	2.0
250,001 to 500,000	3.0
Over 500,000	3.5

## Local Authority Taxes and rates

Estimate roughly something between CY£ 50-150 per year depending on the size of your property. This tax is for garbage collection, street lighting, sewerage, etc and is akin to Council Tax in the UK.

## VAT on Buildings and Land in Cyprus

### Land

*On 1st January 2008 Land will be subject to VAT at 15% which is obviously a vital element when an investment decision is being considered, we advise strongly that the Land should be acquired before the cut off date.*

### Buildings and Construction

*No value added tax (VAT) is charged on the sale of buildings for which an application for a town and planning permit was submitted before 1st May 2004.*

*For those for which an application was submitted after this date, VAT is chargeable at 15%.*

### VAT refunds for Residents

*In the case of a house purchase which is classed as the main/permanent residence of the purchaser, VAT is refunded by up to 10% (out of the 15%).*

*This means that the VAT must be fully paid and then the authorities will require proof that the applicant is using the property as his main/permanent residence (with the production of water/EAC/CYTA bills, payment of taxes etc).*

*The applicant will be required to declare that he/she has no other house as such (permanent), whereas foreign purchases must live in the house for 186 days per annum at least.*

*VAT is paid only once, so if you buy a property and you pay VAT and then decide to sell it, no VAT is charged.*

*If you buy property in order to sell it and which is not used, not even by the purchaser and is not let etc, no VAT is paid, but if you decide to sell it, VAT must be charged by the original buyer to the new buyer (to be paid to the authorities).*

*VAT is charged on all purchases of buildings, including VAT on payments when building a house.*

*A refund is given to residents only (flats/houses) and for no other reason.*

*The VAT refund is based on a formula and it is independent if the purchase price/cost of building of a house.*

<b>Property</b>	<b>Cost/sq.m</b>	<b>Area in sq.m</b>	<b>Reclaim of 10% VAT</b>
<b>Flat One Bedroom</b>	<b>CY£950</b>	<b>65</b>	<b>CY£5370</b>
<b>Flat Two Bedroom</b>	<b>CY£950</b>	<b>100</b>	<b>CY£8260</b>
<b>Flat Three Bedroom</b>	<b>CY£875</b>	<b>130</b>	<b>CY£9891</b>
<b>Flat Three Bedroom</b>	<b>CY£875</b>	<b>150</b>	<b>CY£9891</b>
<b>Detached House</b>	<b>CY£1000</b>	<b>200</b>	<b>CY£11304</b>
<b>Semi-Detached</b>	<b>CY£750</b>	<b>200</b>	<b>CY£8478</b>
<b>Building House</b>	<b>CY£500</b>	<b>130</b>	<b>CY£5652</b>
<b>Building House</b>	<b>CY£500</b>	<b>250</b>	<b>CY£5652</b>
<b>Building House</b>	<b>CY£500</b>	<b>300</b>	<b>CY0</b>