

## New Regulations on the Naturalisation of Investors in Cyprus by Investment Scheme

September 23, 2016

The Scheme for Naturalisation of Investors in Cyprus by Exception has been amended with the decision of the Council of Ministers dated 13th of September 2016. The changes brought by the new scheme are not substantial and they are set out below in detail.

As a general comment, the new scheme is more attractive than its predecessor primarily because the requirement for “collective investments” has been abolished; i.e. each person may now apply “alone”. Moreover, the threshold has been reduced to €2 million (provided the applicant has invested in housing unit/units and the value of one of them is at least €500,000) and parents of the main applicant are also eligible to apply and acquire the Cyprus citizenship provided they acquire a private residence of value at least €500,000.

More specifically, an applicant will be eligible to acquire Cyprus citizenship by exception if Section A (any of the investment options) and Section B requirements (as set out below) are fulfilled:

### **Section A - Two million Euros (€2,000,000) investment options:**

1. Investment in real estate: The applicant must make an investment of at least €2m for the purchase or construction of buildings or for the construction of other land development projects, or

2. Participation in Cyprus companies: The applicant must be the shareholder or the ultimate beneficial owner of a company (or companies) based in Cyprus and the management of which must be situated in Cyprus. The company must employ at least 5 Cypriot or European citizens, or

3. Investment in Alternative Investment Organisations or in assets of Cypriot Companies: The applicant must invest €2m in Alternative Investment Organisations licensed by CySec or in the assets of Cyprus’ companies, or

4. Combination of the above (+Bonds): The applicant must invest in a combination of the above options and in addition, under the combination option, may invest in government bonds for the amount up to €500,000. .

### **Section B - Five Hundred thousand Euros plus VAT property (€500,000 plus VAT) – Residential property.**

Notes:

- If the applicant invests in real estate under criterion A(1), then he will not be required to fulfil criterion B, as long as one of the properties purchased is at least €500,000 plus VAT and provided he will maintain that property as his permanent residence house for life.
- The applicant must have permanent residence permit before his naturalisation. If the applicant does not have the permit already, then he must submit a permanent residence permit application under Reg.6(2) (this can be done simultaneously with his passport application without any further financial requirements for the permanent residence permit, beyond requirements A and B above required for the naturalisation).
- The applicant must have made the investments in the last 3 years preceding the date of the application and he/she must maintain his/her investment for a further period of 3 years from the date he/she is naturalised.
- If the purchase price of the residence property exceeds the €500,000 required by the requirement B above, then the part of the purchase price exceeding the €500,000 may be used to complete the €2m requirement of investments under requirement A above.
- There is no provision for collective investment.
- Applications on the basis of the new criteria may be filed since the 13 September 2016 whilst the timeframe for submission of applications under the old criteria has been extended to 30 October 2016.
- Parents of the applicant are also eligible to apply for the acquisition of the Cyprus citizenship provided they acquire a private residence of at least €500,000.

### **Pending issues that need to be clarified by the Ministry:**

It is not clear from the new regulations whether the parents of the main applicant are the only ones allowed to apply for naturalisation upon the acquisition of the private residence or whether the scheme extends to the spouse's parents too. Moreover, it remains to be answered whether the parents of applicants under previous schemes are also allowed to benefit from the new regulations.

### **New Regulations on the Naturalisation of Investors in Cyprus by Exception (as they appear in the official website of the Ministry of Interior)**

Extract from the actual decision of the Council of Ministers:

*“One of the main objectives of the economic policy of the Republic of Cyprus is to further encourage Foreign Direct Investment and to attract high net worth individuals to settle and do business in Cyprus. Key factors that make Cyprus an attractive destination for investment, is the highly specialized human capital, the reliable legislative and regulatory framework, the stable tax system and the safety and stability conditions prevailing in the country.*”

*Within this framework and taking into account the strong investor interest, the Government of Cyprus has established and revised a "Scheme for Naturalization of non-Cypriot investors by exception" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015, with specific incentives, terms and conditions and control procedures in order to prevent abuse.*

*On the basis of the Scheme, a non-Cypriot citizen, who meets one of the following economic criteria (A), either personally or through a company/ companies in which he/ she participates as a shareholder – in proportion to his holding percentage, or through investments done by his/her spouse or jointly with the spouse or even as a high-ranking senior manager of a company/ companies that meets one of the economic criteria (A), may apply for the acquisition of the Cypriot citizenship through naturalization by exception. A high-ranking senior manager may apply, provided that he/she receives such a remuneration that generates for the Republic tax revenues of at least €100,000 over a three year period and provided that this tax has already been paid or prepaid.*

*The applicant should have made the necessary investments during the three years preceding the date of the application and must retain the said investments for a period of at least three years as from the date of the naturalization. In addition, the applicant must fulfil the Terms and Conditions set out in Part B. In the case where, following a periodic inspection, it has been established that a criterion, term or condition of the Scheme has been breached, the granted naturalization may be revoked.*

### **A. CRITERIA**

*A.1 Investment in real estate, land development and infrastructure projects: The applicant must have made an investment of at least €2,0 million for the purchase or construction of buildings or for the construction of other land development projects (residential or commercial developments, developments in the tourism sector) or other infrastructure projects. It is noted that investment in land under development is included in this criterion, provided that an investment plan for the development of the purchased land will be included in the application. It is understood that investment in land that is situated in a building zone of zero development, is excluded.*

*A.2 Investment in financial assets of Cypriot companies or Cypriot organisations: The applicant should have made a purchase or should have participated in companies or organisations established and operating in the Republic of Cyprus with investment costs of at least €2,0 million. The invested funds shall be channeled towards the financing of the investment objectives of these companies exclusively in Cyprus, based on a specific investment plan. The applications shall be evaluated to verify that the companies or organizations have proven physical presence in Cyprus, with significant activity and turnover and employ at least five (5) Cypriot or citizens of European Union member-states. The minimum number of employees shall increase, if more than one applicant invest simultaneously or almost simultaneously in the same business or company. In addition, the employees of the companies need to have*

*legally and continuously resided in Cyprus during the five years preceding the application submission date.*

*A.3 Investment in Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by CySec: The applicant should have bought units of at least €2,0 million from alternative investment funds (AIF) established in the Republic of Cyprus, licensed and supervised by the CySec and whose investments are made exclusively in the Republic of Cyprus, in investments that meet the criteria of this Scheme or in areas approved by the Minister of Finance. In order to confirm that the investments that meet the criteria of the current Scheme will be kept for at least three years, the manager or the auditor of the Fund shall inform in writing and on an annual basis, the Ministries of Finance and Interior with reference to the value of the initial investment. The purchase of financial assets of Cypriot companies or organizations of at least €2,0 million, such as bonds, bills and securities, issued with the approval of the CySec, by companies that have proven physical presence and substantial economic activity in the Republic of Cyprus, and have as a purpose the financing of the investment plans of these companies or organizations exclusively in Cyprus, based on an investment plan, fall under this criterion. It is noted that the purchase by an AIF of units of other AIFs is not considered eligible.*

*A.4 Combination of the aforementioned investments: The applicant may proceed with a combination of the above investments, provided that the total investment will amount up to at least €2,0 million. Within this criterion (combination of investments) the applicant may purchase special government bonds of the Republic of Cyprus, up to €500.000, which will be issued by the Public Debt Management Office of the Ministry of Finance, on condition that the investor will retain these bonds for a three year period. The characteristics and the terms of these special bonds will be determined by the General and Special Issue Terms of the Government Bonds of the Republic of Cyprus. Investments in government bonds through the secondary market are not considered eligible.*

## **B. TERMS AND CONDITIONS**

*1. Clean Criminal Record: the applicant must have a clean criminal record. Furthermore, his 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.*

*2. Residence in the Republic of Cyprus: In all cases listed in Part A, the applicant must possess 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. 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-property covers the amount of €500.000 per each applicant. In case that 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 purposes 4 of supplementing the total amount of the investment made on the basis of the criteria of Part A above. Additionally, it is noted that if the applicant has invested in housing unit/units on the basis of the*

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*aforementioned criterion A.1, 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, provided that the applicant retains the possession of the residence for life.*

*3. Residence Permit in Cyprus: The applicant, prior to his/her naturalization as a Cypriot citizen must hold a residence permit in Cyprus. If the applicant does not already hold a residence permit, he/she 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. If the application for acquiring an immigration permit is made solely for purposes of acquiring the Cypriot citizenship, in accordance with the provisions of this Scheme, there are no other conditions than those stated in both Part A and Part B of this Scheme. It is noted that all of the above also apply for the adult members of the family of the investor, who will apply for naturalization. In case the application for naturalization is rejected for any reason, the immigration permit, obtained in accordance with the provisions of this Decision, will be cancelled immediately.”*

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