



Corporate And Tax Services

2014

Obtaining Citizenship in Cyprus





Granting Cypriot Citizenship

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 - proportionally based on the percentage of participation, or even as a high-ranking senior manager of a company/ companies that meets one of 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 revenue of at least €100,000 for a three year period and provided that this tax has already been paid or prepaid.

The applicant should have concluded 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 since the date of the Naturalization.



One of the following Economic Criteria (or a combination where applicable) must be met by the main applicant:

A. CRITERIA

A.1 Investment in government bonds:

The applicant must have purchased state bonds of the Republic of Cyprus of at least €5 million.

or

A.2 Investment in financial assets of Cypriot companies or Cypriot organizations:

The applicant must have purchased financial assets of Cypriot companies or Cypriot organizations (bonds/ securities/ debentures registered and issued in the Republic of Cyprus) of at least €5 million.

It is noted that these financial assets can be purchased either at issuance, or subsequently by the market.

or

A.3 Investment in real estate, land development and infrastructure projects:

The applicant must have made an investment of at least € 5 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).

or

A.4 Purchase or creation or participation in Cypriot businesses or companies:

The applicant must have made an investment of at least € 5 million in the purchase, creation or participation in businesses or companies, that are based and operating in the Republic. These businesses or companies should evidently have a tangible presence in Cyprus and employ at least five (5) Cypriot citizens.

It is noted that the mandatory conversion of deposits into shares is included in this criterion.

or



A.5 Deposits in Cypriot banks:

The applicant must have personal fixed term deposits for three years in Cypriot banks or deposits of privately owned companies or trusts (in which he/she is the beneficiary owner) in the Republic of Cyprus of at least €5 million

or

A.6 Combination of the aforementioned criteria A.1 (Investment in government bonds), A.2 (Investment in financial assets of Cypriot companies or organizations), A.3 (Investment in real estate, land development and infrastructure projects), A.4 (Purchase or creation or participation in Cypriot businesses or companies) και A.5 (Deposits in Cypriot banks):

The applicant is required to have a combination of the above amounting to at least €5 million.

or

A.7 Persons whose deposits with the Popular Bank Public Company Ltd have been impaired due to the measures implemented after the 15th March 2013:

The applicant has incurred an impairment in deposits amounting to a total of at least €3 million.

In the case where the applicant has incurred an impairment in his/her deposits under €3 million he/she may apply, having made an additional investment through the criteria A.1 (Investment in Government bonds), A.2 (Investment in financial assets of Cypriot companies or Cypriot organizations), A3 (Investment in real estate, land development or infrastructure projects), A.4 (Purchase or creation or participation in Cypriot businesses and companies) and A.5 (Deposits in Cypriot Banks) for the balance of the required amount of the aforementioned criteria.

or

A.8 Major Collective Investments:

The Council of Ministers shall have the right on special occasions, to reduce the above criteria (A.1 (Investment in Government Bonds), A.2 (Investment in financial assets of Cypriot companies or Cypriot organizations), A.3 (Investment in real estate, land development or infrastructure projects) and A.4 (Purchase or creation or participation in Cypriot businesses and companies):

I. To €2,5 millions for investors, who demonstrably participate in a special collective investment scheme, provided that the total value of the investment is at least €12,5 millions.



II. To €2 million for investors who demonstrably participate in a special collective investment scheme, provided that the total value of the investment is more than €12.5 million. It is noted that this present provision (I), will be in force until the 1st of June 2014.

In addition, it is noted that for the above mentioned provisions (I) and (II), the investment for the Criteria A1 until A4 may be realized through a different salesman/ provider (physical or legal entity).

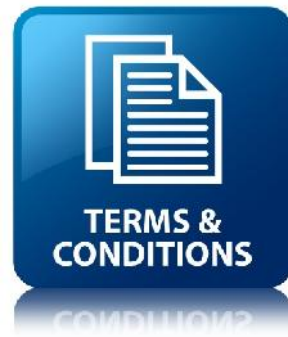


TERMS AND CONDITIONS

1. **Clean Criminal Record:** the applicant must have a clean criminal record. Furthermore, his name must not be included on the list of persons whose property is ordered to be frozen within the boundaries of the European Union.

2. **Residence in the Republic of Cyprus:** In all cases listed in Part A, 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.

It is noted that members of the same family, which 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.





GENERAL MATTERS

1. What is the time frame for the examination of an application?

Approximately three months.

2. Investments must necessarily be made by the investor personally or can they be made through company/companies of the investor or an investment fund or an investment foundation?

An investment through a company or fund or foundation is eligible, **provided** that there is a proven correlation between the investor and the company or fund or foundation.

3. What conditions must be met, so that a high – ranking senior manager of a company/ companies may apply for Naturalization on the basis of this Scheme?

The first condition that needs to be fulfilled is that the company/ companies that employs the manager must have concluded in Cyprus such an investment that meets one of the economic criteria stipulated in the Decision of the Council of Ministers. If and when the investment is completed the executive may apply for Naturalization provided that he/she has paid or prepaid an income tax amounting to €100.000 for a three-year period and has acquired a permanent residence of purchase value at least €500.000.

4. What does it mean: “The applicant should have concluded 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 since the date of the Naturalization?”

It means that for the purpose of filing a Naturalization application in accordance with the provisions of this Scheme, the investor must have concluded the investment during the three years preceding the submission date of the said application. That is to say, if the applicant will submit an application in 2014, the investment must have been concluded during the period 2011 – 2014.



Furthermore, the investor is obliged to retain the investment for at least three years following the acquisition of the Cypriot citizenship. The three-year period begins on the date of the approval of the application by the Council of Ministers.

CRITERION A.1 (Investment in Government bonds)

- 1. Existing government bonds which can be purchased from the secondary market from existing owners are included or only bonds purchased from the primary market, i.e. directly from the Cypriot Government are eligible?**

For purposes of the citizenship application are eligible bonds purchased both from the primary market as well as from the secondary market until the 31st of July 2014. **However, as from the 1st of August 2014 only the bonds purchased from the primary market (i.e. directly from the primary market) solely will be eligible.**

CRITERION A.3 (INVESTMENT IN REAL ESTATE, LAND DEVELOPMENT AND INFRASTRUCTURE PROJECTS)

- 1. The purchase of land is included in the criterion?**

This criterion includes investments for the purchase or construction of buildings, or the creation of other land developments (residential or commercial developments, in the tourism sector or other infrastructure projects). Therefore, the term cannot be interpreted broadly and the restriction concerning the purchase of land has not been lifted.

- 2. Is the VAT included in the amount of the €5 million investment or in the amount of the €500.000 purchase value of the privately-owned residence?**

The VAT is neither included in the amount of €5 million for the "Direct Investments", nor in the amount of €500.000 required as a minimum purchase value of the privately-owned residence.



3. In the case of purchase of real estate are transfer duties included in the amount of the €5,0 million investment?

The transfer duties are not included in the amount of the investment, as no other charges or taxes are.

4. If there is a difference between the market value and the purchase value of a real estate, which amount is taken into consideration?

The purchase value.

5. Can real estate sold for a second time be considered as an investment for the purposes of applying for citizenship?

According to the contents of the Council of Ministers' Decision, the eligible investment is not limited to properties purchased for the first time.

CRITERION A.4 (PURCHASE OR CREATION OR PARTICIPATION IN CYPRIOT BUSINESSES OR COMPANIES)

1. What do we mean by the clause that the companies or businesses need to have a tangible presence in Cyprus?

We mean that the companies or businesses in which the applicant shall invest must maintain offices in Cyprus.

2. How is the creation or participation in the companies/ businesses proven?

The creation or participation is proven by the purchase of the company's or business' shares, either existing shares, or through capital increase.



CRITERION A.6 (DEPOSITS IN CYPRIOT BANKS)

1. What do we mean by «Cypriot banks»?

We mean Local Banks and the Subsidiaries of Foreign Banks. The list is being prepared by the Central Bank of Cyprus and is posted on its website. You may see the List following the link below:

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=8154&lang=en

2. The total amount of the deposit has to be deposited in a single bank or can it be deposited partially in various banks?

The total amount can be deposited in various banks, **provided** that all the banking institutions lie within the two categories referred in the previous Question.

3. Must the deposit necessarily be in euro or can it be made in another currency?

Is not necessary to make the deposit/ deposits in euro. They can be made in a different currency.

CRITERION A.7 (PERSONS WHOSE DEPOSITS WITH THE POPULAR BANK HAVE BEEN IMPAIRED DUE TO THE MEASURES IMPLEMENTED IN BOTH BANKS AFTER THE 15TH MARCH 2013)

1. Is the investor eligible to apply if deposits are not personal, but rather deposits of a company (or companies) of whom he/ she is the major shareholder or the ultimate beneficiary owner?

The investor is eligible to apply, provided that there is a proven correlation between the investor and the company (or companies).



2. This Criterion does not include investors, who suffered an impairment in their deposits with the Bank of Cyprus?

According to the Decision of the Council of Ministers investors, who suffered a deposits impairment with the Bank of Cyprus, are not included in this criterion, but rather in the Criterion A.5 (Purchase or creation or participation in Cypriot companies and businesses), since their deposits were mandatory converted into shares.

3. If the amount of the impairment is the lower than €3 million, the investor can make a further investment to accumulate the amount of €3 million or the amount of €5 million, which is the minimum required investment amount of the other criteria?

According to the content of the Decision, if the impairment amount is less than € 3 million, the investor can make an additional investment through the criteria A.1 - A.5, to supplement the amount of €5 million.

CRITERION A.8 (MAJOR COLLECTIVE INVESTMENTS)

1. In paragraph II it is stated that the provision will be valid until the 1.6.2014. Does this mean that the investment should be concluded by the 1.6.2014 or that the application must be submitted until the 1.6.2014?

It means that the application must be submitted until the 1.6.2014.



TERMS AND CONDITIONS

Residence in Cyprus

- 1. The purchase values of the privately – owned residence is includes in the investment or is it additional?**

The purchase value of the privately-owned residence of the applicant investor in Cyprus is not included in the minimum investment which is required provides for the submission of the application, but rather it is additional.

However, if an applicant decides to invest in the purchase of a privately – owned residence solely, of a purchase price either €5 million (criterion A.3), or of €2,5 million (criterion A8(I)), or of €2 million (criterion A8 (II)), he/ she is not obliged to buy a further privately – owned residence of purchase value €500.000.

- 2. Can the investor rent to someone else his/ her privately-owned residence?**

Yes, he/ she may.

- 3. Can the investor sell his/ her privately-owned residence and purchase a different one of the same or higher purchase value?**

Yes, he/ she may, provided that he/she will buy a different residence of equal or higher purchase value.

- 4. To what degree of relation can applicants – relatives, who are members of the same family, purchase the same privately-owned residence?**

To the second degree.





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