
SCHEME FOR NATURALISATION OF
INVESTORS/ENTREPRENEURS IN CYPRUS



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By exception

on the basis of subsection (2) of section 111A of the
Civil Registry Laws of 2002-2015

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 conduct 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 by taking into account the strong investor interest, the Council of Ministers of the Republic of Cyprus, on the 13th September 2016 has reviewed and revised the "Scheme for Naturalisation of non-Cypriot investors by exception" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015. The amended regulation is considered to be more attractive than before to investors by providing, as such, specific incentives and at the same time terms, 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/her 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 naturalisation 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 naturalisation.

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 naturalisation may be revoked.

A. CRITERIA

A.1 Investment in real estate, land development and infrastructure projects

The applicant should have made an investment of at least €2 million (plus V.A.T. as applicable) 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. Investment in land that is situated in a building zone of zero development, is excluded.

A.2 Investment by purchasing or by incorporating or by participating in Cyprus companies or business organisations established in Cyprus

The applicant should have made a purchase or should have incorporated or should have participated in companies or organisations established and operating in the Republic of Cyprus with investment costs of at least €2 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 invests 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 (AIF) or in financial assets of Cyprus companies or Cyprus organisations that are licensed by the Cyprus Securities and Exchange Commission (CySec)

(1) The applicant should have purchased units from, or establish, an AIF for a value of at least €2 million. The AIF should have been established in the Republic of Cyprus, licensed and supervised by the CySec and the capital of the same should be exclusively utilised 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;

OR

(2) The applicant should have proceed with investing in financial assets of Cypriot companies or organisations a value of at least €2 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 organisations exclusively in Cyprus, based on an investment plan.

It is noted that the purchase by an AIF of units of other AIFs is not considered eligible under this criterion.

A.4 Combination of the aforementioned investments

The applicant may choose to proceed with a combination of the above (A1-A3) investment categories, provided that the total investment will amount up to a value of at least €2 million. In combination with the rest of the investment types, by choosing this criterion the applicant is entitled to 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 the condition that the investor will retain these bonds for at least three years. 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.

It is noted that investments in government bonds through the secondary market are not considered eligible under this criterion.

B. TERMS AND CONDITIONS

1. Clean Criminal Record

The applicant must have a clean criminal record and his or her name should not be included in the list of individuals who have a freezing order on their property within the European Union.

2. Residence in the Republic of Cyprus

In all categories 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. as applicable).

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 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 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 V.A.T. as applicable), provided that the applicant retains the possession of the residence for life.

The residence may be held by corporate entities, rather than directly by the applicant, provided that the applicant can demonstrate that he/she is the ultimate beneficial owner of the corporate entity.

3. Residence Permit in Cyprus

The applicant, prior to his/her naturalisation 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 naturalisation. 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 naturalisation. In case the application for naturalisation is rejected for any reason, the immigration permit, obtained in accordance with these provisions, will be canceled immediately.

C. SUBMISSION OF DOCUMENTS

For the evaluation of the applications the form (M127) as well as the following documents must be submitted:

1. Clean Criminal Record:

Certificate of Clean Criminal Record from the country of origin and the country of residence (if different).

2. Residence in the Republic of Cyprus:

(a) Contract of Sale;

(b) Title Deeds or Proof of Registration of the contract with the Lands and Surveys Department;

(c) Proof of payment of the agreed purchase price;

(d) Copy of the wire transfer to a Cyprus commercial banking institution in the name of the seller or the seller's company;

(e) An evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.

3. Documents regarding the investment (as applicable):

(a) Certificate of Registration of the company/companies by the Registrar of Companies;

(b) Certificate of shareholders by the Registrar of Companies and/or certificates evidencing that the applicant is the beneficiary owner of the company/companies;

(c) Audited accounts of the company/companies for the last three years preceding the year of the application;

(d) If the applicant is a high-ranking senior manager, the submission of the employment contract and the receipt from the Department of Inland Revenue are additionally required;

(e) If the investment is made by the spouse of the applicant or jointly, a marriage certificate is required.

Depending on the investment economic criteria, the following are also requested (as applicable in each case)

3.1. Investment in real estate, land development and infrastructure projects

a) Contract of sale;

(b) Title Deeds or Proof of Registration of the contract with the Lands and Surveys Department;

(c) Proof of payment of the agreed purchase price;

(d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the seller or the seller's company;

(e) An evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.

3.2. Investment in financial assets of Cyprus companies or Cyprus organisations

- (a) Contract of sale;
- (b) Proof of payment of the agreed purchase price;
- (c) Certificate of shareholders by the Registrar of Companies;
- (d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the company or the organisation;
- (e) Specific investment plan;
- (f) Copies of the employment contracts of the Cyprus or European Union citizens employed by the company in which the applicant has invested;
- (g) Confirmation from the Social Insurance Department as to the insurable income of the Cyprus or European Union citizens employed in the company;
- (h) Copy of the Social Insurance Contributions for every Cyprus or European Union citizen employee;
- (i) Registration Certificate (MEU1) or Permanent Registration Certificate of Union Citizen (MEU3) for employees that are European Union citizens.

3.3. Investment in an AIF or financial assets of Cyprus companies or organisations that are licensed by the CySec

- (a) Title(s) and other relevant documents of the financial assets / units purchased;
- (b) Copy of the wire transfer to a Cyprus commercial banking institution in the name of the company or the organisation;
- (c) Specific investment plan;
- (d) Confirmation of the license by the CySec.

3.4. Investment in government bonds:

- (a) Proof from the Public Debt Management Office for the purchase of special government bonds;
- (b) Copy of the wire transfer into a bank account of the Treasury of the Republic of Cyprus.

Any other document that might be requested either by the Ministry of Interior, or by the Ministry of Finance.

It is noted that none of the above affects the absolute discretion of the Cabinet of Ministers on taking a decision.

October 2016

Disclaimer

The above information is only a brief description of the provisions of the relevant Law up to the date of publication of this Memo and this shall not be regarded as exhaustive. Further professional advice should be sought on a case by case scenario. Our firm does not accept any responsibility for any loss or damage occurring by acting on the basis of this information.

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