

IN-DEPTH

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In-Depth: Real Estate Law (formerly The Real Estate Law Review) provides an invaluable overview of how key real estate markets across the globe operate and how they react to major world events. With a focus on recent developments, it analyses the legal frameworks governing real estate ownership and transactions in each jurisdiction, while also offering an incisive outlook of potential future trends.

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Explore on **Lexology** 

Cyprus

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Introduction

Real estate in Cyprus is generally owned on a freehold basis, with all rights on land and other real estate properties being registered with the Department of Lands and Surveys (DLS), which issues land registration certificates that serve as proof of ownership. Certain real estate developments located in special interest areas, such as marinas or golf resorts, that may be operated on a build-operate-transfer basis by private entities on behalf of the government or a public authority may be acquired on a long leasehold basis, with the option to renew, depending on the underlying agreement between the company operating the development and the government or owner of the land. In such cases, the consent of the government granting the lease or the owner may be required.

Additional rights to a property may include easements, privileges on right of way, long leases, rights reserved, mortgages and encumbrances, contracts of sale, springs, wells, watercourse irrigation channels and rights thereon, trusts and other leaseholds. Ownership may be directly by the individual or entity with some restrictions being applicable on third-country (non-EU) purchasers.

A general survey and subsequent registration of all land were conducted in the 1920s by the then-British administration of Cyprus, which resulted in the adoption of detailed survey plans where every piece of land was registered and numbered. Subsequently, all privately owned land was effectively registered in central land registry records with title deeds issued to each owner. Each title deed corresponds to a specific plot or piece of land on the land registry maps. Recently, all land information (except details of ownership) was made publicly available on the updated DLS online portal, enabling online data collection regarding the characteristics of each plot. Property owners and real estate professionals can also access and request certificates and other official documents online. A holder of a valid title deed certificate issued by the DLS is fully protected against adverse possession or any other claims.

It is recommended that Cyprus law be applied on every transaction involving an acquisition or sale of real estate in Cyprus to avoid any conflict with local legislation that may affect certain elements of the real estate in question (e.g., mortgages or other securities placed on it). In addition, as any transfer of ownership will need to be recorded with the DLS, local procedures and certain formalities will need to be followed.

Overview of real estate activity

The local real estate market, although affected by multiple geopolitical developments, trends and developments, has shown great resilience, and real estate prices have generally increased by a large margin in most areas. Geopolitical events have resulted in large numbers of individuals and companies seeking to relocate to Cyprus, as a safe and stable jurisdiction. This, in turn, fuelled the increasing demand for local real estate, both residential and commercial.

Investors from several countries also continue to take advantage of the Cyprus permanent residence permit, which is granted to purchasers of residential real estate (upon fulfilment of certain criteria). The completion of several landmark projects such as the Limassol

integrated casino resort, and the new announced developments of additional marinas and golf resorts, have supported high levels of sales.

The availability of finance remains strong, although interest rates have been steadily rising, and inflation has affected construction costs, further adding to the high property prices of new developments. Multiple government schemes continue to aim to support home ownership, especially outside urban centres, and several targeted initiatives for the creation of student accommodation are currently under way in the historic, walled city centre of Nicosia to accommodate a growing student population. In addition, a substantial amount of real estate recovered by banking institutions continues to be sold or managed by asset managers in Cyprus, although the government has enacted schemes to support properties that are considered the main residence of individuals.

Foreign investment

Cyprus is a developed free market economy, abiding by the rule of law and EU principles. Overseas investors may invest in Cyprus real estate directly or through legal entities. Foreign investors (non-EU) are required to apply for and obtain permission from the Council of Ministers to register real estate in their name; however, this is more of a formality, especially in the context of the average residential or retail property, as such permissions are generally granted. Foreign individuals may also own shares in Cypriot companies, with these companies being owners of Cyprus real estate.

Individuals and businesses wishing to relocate to Cyprus benefit from several government initiatives aiming to facilitate the relocation of individuals who can contribute to the Cypriot economy.^[2] These range from fast-track permanent residence permits to individuals, to schemes for relocating third-country staff for companies with substantial operations in Cyprus. The government continues to encourage foreign companies and highly skilled personnel to relocate to Cyprus. The implementation of this new strategy has driven demand for office and commercial spaces. Several foreign-owned technology and finance firms have already relocated to Cyprus and acquired office space, mainly in Nicosia, Limassol and lately Larnaca.

It is important to highlight that any property acquisitions in the occupied northern part of Cyprus, although technically part of the European Union, are not currently under the effective control of Cyprus and have a risk of being challenged by owners of the property that may have been displaced in the 1974 Turkish invasion of Cyprus. Multiple cases have been brought before various courts, both local and international, including the European Court of Justice, with the previous owners being awarded damages and remedies, while the local self-proclaimed authorities are not internationally recognised by any state other than Turkey.

Structuring the investment

Investors looking to acquire immovable property in Cyprus may acquire the property directly and register it in their names or through a Cyprus private limited liability company with shares.

The Immovable Property Acquisition (Aliens) Law (Cap 109, as amended) imposes restrictions on the acquisition of real estate property in Cyprus by third-country nationals (including any Cyprus companies controlled by them) and, as stated above, permission from the Council of Ministers may be required.

There are no restrictions on real estate acquisitions by EU citizens; therefore, nationals of EU Member States (either personally, or through registered legal entities and tax residents in Cyprus) can register as many properties as they wish in their name. Notably, obtaining the relevant permit is a straightforward procedure, and permission is readily obtained (provided that the relevant conditions set by the Immovable Property Acquisition (Aliens) Law are met) for all bona fide purchasers. The acquisition of property is defined by the Immovable Property Acquisition (Aliens) Law as either the purchase of a freehold property or the acquisition of a lease exceeding 33 years.

Generally, the most popular investment vehicle through which investors usually structure the acquisition of immovable property in Cyprus is the Cyprus private limited liability company with shares. An advantage of structuring an immovable property investment through a Cyprus private company is that no restrictions on foreign share ownership exist in Cyprus – subject to the restrictions imposed by the Immovable Property Acquisition (Aliens) Law. In addition, Cyprus corporate law is very flexible and can be tax-efficient for holding real estate under a Cyprus entity. As a result, a transaction involving the sale of shares of a real estate owning company is more straightforward and subject to fewer formalities than a transaction involving an outright sale and transfer of immovable property. The purchase and transfer of shares in a Cyprus company can be completed within a day; therefore, the whole process of transferring and registering real estate through the appropriate land registry department can be avoided.

Capital gains tax applies to direct and indirect disposals involving immovable property situated in Cyprus. It is imposed at the rate of 20 per cent (subject to specific adjustments) on gains from the disposal of immovable property or gains from the disposal of shares in companies that directly or indirectly own immovable property situated in Cyprus. Notably, in relation to the sale of shares of companies holding real estate, capital gains tax is imposed on the market value of the property that is owned by the relevant company and not on the whole consideration for the relevant sale. Additionally, VAT reduction schemes are available for investments in integrated resorts managed by an operator.

Profits from the sale of immovable property in Cyprus are not subject to income tax. However, if the seller has entered into a number of similar transactions and is considered as trading in land, income tax will be applicable instead of capital gains tax; therefore, if an investor is purporting to invest in immovable property in Cyprus, with an intention to trade in land, it is preferable that the investor effects this through a legal entity, as the applicable corporation tax in Cyprus is one of the lowest in Europe (business profits of a Cyprus company adjusted for various disallowances and exemptions are subject to tax at 12.5 per cent). Moreover, Cyprus corporation tax is considerably lower than the applicable personal income tax progressive rates: the first €19,500 is tax free; the next €8,500 is subject to a tax rate of 20 per cent; the next €8,300 is taxed at 25 per cent; the next €23,500 at 30 per cent; and any amount above €60,000 at 35 per cent.

For the reasons explained above, a popular vehicle used by investors for structuring a real estate transaction is the Cyprus private company.

Real estate ownership

i Planning

In most cases, a planning permit will be required from the local town council where the property is situated. This procedure has been streamlined for certain types of properties. Depending on the type of building, multiple authorities are involved in assessing all the factors relevant to the proposed property. Depending on the area, certain restrictions may arise (e.g., industrial and retail units may only be established in certain areas). Once the planning permit is approved, a building permit will be required for the building works to commence. Cover permits may be used for alterations to existing structures. A certificate of final approval is issued when the building is complete, and a committee representative inspects the completed property.

Changes to the use of the property are permitted if this is provided in the urban planning laws of the local area or by the local authorities. As existing procedures can be lengthy, a fast-track procedure has been established whereby a permit may be issued within 10 to 20 days for single residential units within residential plots. These fast-track applications can be submitted online, which in most cases reduces the processing and approval times for all applications.

Larger developments, such as high-rise buildings, hotels and malls, must meet additional requirements, depending on the use and expected impact of the development on the local community and the environment.

ii Environment

Apart from any civil liability that may arise under the law of tort, environmental contamination may also be classified as a criminal offence under the Water Pollution Control Law,^[3] which covers a range of practices and events that could accidentally or purposefully contaminate water reserves, water beds, rivers and the coastal areas. Penalties include monetary fines and even imprisonment in severe cases. Clean-up of any environmental impact is not mandatory or prescribed in the law, although it may generally act as a mitigating factor. Certain industries and buildings, as part of their planning permit procedures, may be required to include procedures or specialised facilities for the avoidance of pollution in their application to obtain a planning permit (i.e., waste water treatment where connection to the sewerage system is not possible), and all buildings must abide by EU regulations for energy efficiency either through insulation or energy production (usually via solar panels).

iii Tax

Transfer fees are applicable by the DLS for every transaction (with some exceptions provided for under the law, such as when parents gift property to their children) and are based on the market value of the property. The fees are calculated with specific percentage rates on value bands that range from 3 to 8 per cent: the first €85,000 is at 3 per cent; the next band for €85,001 to €170,000 at 5 per cent; and the final band for any amount over

€170,001 at 8 per cent. In addition, stamp duty is applicable on every sale agreement filed with the land registry, in accordance with the value of the property being sold.

In general, stamp duty is payable on any document that concerns any property situated in Cyprus or matters or things to be executed or done in Cyprus, irrespective of the place of execution of the document. Stamp duty rates are calculated under specific bands, ranging from €1.50 to €2 per €1,000, with a maximum stamp duty of €20,000. The date for the stamp duty payment is within 30 days of the date of the signing of a document that is considered to be stampable.

Inheritance and estate taxes are not imposed under Cyprus tax laws. It may be useful to mention that since 2022, a tax has been imposed on all sellers of real estate located in Cyprus, namely a flat tax rate of 0.4 per cent on the proceeds of sales of real estate, paid by the seller. This tax was introduced to support the housing of Cypriot refugees who were displaced owing to the Turkish invasion of Cyprus in 1974. The 0.4 per cent tax extends to direct sales of property in Cyprus, as well as the sale of shares in companies owning (whether directly or indirectly) property in Cyprus.

iv Finance and security

To have validity and rights over the property, real estate securities typically need to be registered with the DLS. In general, earlier rights have priority over later rights, provided that they are registered with the DLS. Most common forms of security granted over real estate are mortgages, memos, charges and other contracts of sale for the same property.

The most common form of security taken over real estate is the mortgage. Legal mortgages (i.e., those that fulfil formalities and are registered with the DLS) give the mortgagee a contractual priority right on the immovable property and a right to apply to the DLS for the sale of the same, upon a default in the repayment of the loan. In addition, under revised legislation, the mortgagee has the right to commence private auction and foreclosure procedures, which in practice is the preferred route for most banking and asset administration institutions because of the expedited procedures.

If the mortgagor is a legal entity (i.e., a Cyprus company), it must also register the mortgage under Section 90 of the Companies Law (Cap 113, as amended) with the Registrar of Companies, on the prescribed form within the prescribed time limit.^[4]

Leases of business premises

All leases are governed by the Contracts Law (Cap 149), which has essentially codified basic principles of contract law established under common law. These contractual tenancies are, however, subject to restrictions introduced by the Rent Control Law (as amended).^[5]

The provisions of the Rent Control Law are applicable under specific criteria, including regarding where the property is located, the age of the property and whether any contractual tenancy has lapsed with the tenant retaining possession of the property. The 'rent control' or 'statutory' tenancies under the Rent Control Law regulate the adjustment of rent and the relations between landlords and tenants and protect tenants from eviction,

except in specific circumstances (i.e., non-payment of rent due). Business premises are afforded the same protections under the Rent Control Law as residential properties.

A fast-track eviction process for statutory tenants not meeting their financial obligations has been introduced as many tenants in the past took advantage of lengthy court-led eviction procedures to avoid their obligations.

The length of any lease, as well as arrangements for any extension and increases of rent, are determined by the lease itself, and the parties are free to determine their own terms. There are no relevant statutory provisions other than the Rent Control Law provisions mentioned above, which if applicable may commence at the expiry of a contractual lease.

Long leases exceeding 15 years may be registered with the DLS. These registered leases grant certain rights to the tenant, including the right to trade the lease. Third-country nationals may require permission from the Council of Ministers to register a lease exceeding 33 years as such lease is considered to amount to a property right. A business permit may be required by the local town council depending on the activity (i.e., a restaurant may require licences from health authorities and the Deputy Ministry of Tourism).

It is common for tenants to be liable for the maintenance of internal fixtures and fittings and repairs of the parts of the building that they occupy, while landlords will generally be liable for structural repairs, unless otherwise agreed or in cases where the property is leased furnished by the landlord. Naturally, it is at the discretion of the parties to agree specific terms in accordance with their requirements. Tenants have the option to sublet but will require the explicit consent of the landlord.

Year in review

According to the latest published information from the DLS, which records all property transactions in Cyprus (except those where the legal entity owning the property is transferred), demand is considerably increasing as total property sales rose by around 20 per cent for the period between January to May 2023 compared to the same period of the previous year continuing the increasing trends of the previous years. Investment from abroad continues to be a driving factor although local investors have also resorted to investing in real estate as a protection from rising inflation.

Foreign individuals (i.e., non-EU citizens) can currently benefit from the fast-track processing of applications for permanent residence permits, provided that they will invest in newly built residential real estate of at least €300,000 in Cyprus. A permanent residence permit enables individuals to freely enter Cyprus, and then they may easily apply for a Schengen visa to freely travel throughout the European Union.^[6]

As briefly mentioned above, a clear trend is evident from the increasing transfers of the headquarters of international companies to Cyprus (especially those operating in the fields of technology or finance). Existing incentives aim to encourage companies operating in specific areas of economic activity, including high tech, innovation, shipping, pharmaceutical, biogenetics and biotechnology, to relocate to Cyprus; therefore, there has been a higher demand for high-quality office space. This demand has decreased the inventory of available commercial space and increased the rent payable for such spaces, which is expected to increase in the coming years although several new business spaces are being constructed that will increase supply considerably.

Tourism traditionally remains a key driving force of local real estate development. The Limassol Marina, a €350 million waterfront development able to accommodate 800 vessels, was fully completed in 2022, while the Ayia Napa Marina, a €220 million project able to accommodate 600 vessels and featuring two high-rise buildings, was expected to be completed within 2023. Construction of the Larnaca Marina and the Paralimni Marina has commenced and are expected to attract more than €1 billion for real estate development and construction. Furthermore, an integrated casino resort in Limassol was also completed in 2023. The integrated casino resort in Limassol is estimated to be one of the largest single investments in Cyprus and currently the largest integrated casino resort in Europe.

Local and international investors are also seeking to invest in listed and preserved historical buildings located in the main city centres, with most of the investors interested in converting the buildings to office space. The government offers significant incentives to investors wishing to renovate or commercially use listed buildings, sometimes amounting to one-third of the renovation investment. Building density can also be sold and used by other buildings entitled to acquire it, while rent from listed buildings enjoys tax exemptions (subject to certain conditions).

Interestingly, there has also been recent investment in Cyprus's lesser-known countryside and mountain destinations and retreats, as local and international investors are aiming to renovate historic old hotels and establish green and sustainable guest houses and destinations such as Platres, a village in the Limassol District. Developments made within villages must, in certain cases, adhere to strict urban planning rules to preserve the historic appearance of the community and respect the local building techniques in place (i.e., by using local stone in the outer walls of the building).

During the past few years, an increase in student housing has been identified as well and goes hand in hand with the high growth rate of Cyprus' higher education sector, which attracts thousands of students in its English-speaking universities. The government, in concert with the University of Cyprus, based in Nicosia, aims to regenerate the historic centre of Nicosia and has announced grants for the creation of student accommodation in specific areas of the centre to offer affordable accommodation options in areas where university departments are to relocate. There are three public and five private universities on the island and, along with the various public and private colleges, they have created a well-developed higher education system that aims to become a regional knowledge hub.

It is anticipated that in the next few years, when many landmark projects are expected to be completed, there will be a need for the Cypriot real estate market to focus extensively on sustainability and to identify new strategies that will lead to the development of new projects that will have a positive effect on the Cypriot economy and support sustainable growth in line with the European Union's climate change targets.

Outlook and conclusions

Geopolitical developments continue to affect real estate transactions and developments in Cyprus in a positive manner. Due to its location and EU membership, Cyprus is deemed to be a safe investment and relocation alternative for many international investors. Although targeted measures and incentives have been introduced, it is not possible to predict whether there will be any policy changes or reforms, other than expected measures to

tackle climate change and the persistent and increasing cost of energy, which is a challenge for the entire European Union.

Substantial investments in the hospitality industry and increasing numbers of visitors throughout the year also continue to offset the negative effects of the pandemic, and the industry is facing an optimistic future, with many international hotel chains opening new hotels in Cyprus. As a rent control regime already operates in Cyprus, it is unlikely that any additional radical legislative measures controlling rent will be introduced, other than targeted measures to incentivise the creation of affordable accommodation.

There remains a significant number of in real estate acquisitions in Cyprus from non-EU individuals. The continued high levels are likely because of individuals relocating to Cyprus for work or retirement.

The introduction of high-rise buildings in Cyprus continues to provoke reactions from several environmental and preservation groups because there are concerns about the long-term impact of such developments to the environment owing to the government's lack of strategic planning. Although there are established legal frameworks both from the government and the European Union, it may be the case that more detailed criteria are necessary to accommodate this relatively new type of development in Cyprus and possibly earmark certain areas.

In general, we expect that certain targeted government initiatives will be introduced to support affordable housing, sustainable and green investments, regeneration of certain rural communities and student-oriented accommodation. However, other than targeted incentives and small-scale reforms, we do not expect any wide-ranging new legislation that will affect the real estate market in Cyprus other than the recent developments mentioned throughout this chapter.

Endnotes

- 1 Stella Strati and Stylianos Trillides are partners at Patrikios Pavlou & Associates LLC. [^ Back to section](#)
- 2 EU and EEA nationals are not subject to restrictions as they enjoy freedom of establishment and movement under EU rules. [^ Back to section](#)
- 3 Law 106/2002. [^ Back to section](#)
- 4 HE24Y. [^ Back to section](#)
- 5 Law 23/1983. [^ Back to section](#)
- 6 Cyprus is an EU Member State but currently not part of the Schengen area. [^ Back to section](#)



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