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This article/guide is intended to provide the reader with information on the policy of the Government dated 13th September 2016 on the:

NATURALIZATION OF INVESTORS IN CYPRUS BY EXCEPTION

DESCRIPTION OF POLICY

The Council of Ministers of the Republic, by its decision of 13th September 2016, revised the existing framework providing for the Naturalization of Investors in Cyprus by Exception, on the basis of subsection (2) of section 111A of the Civil Registry Laws, as has been amended, which was applying since 19th March 2014. The new Scheme provides the following:

1. A non-Cypriot citizen, who meets any of the following economic **Criteria**, either personally or through a company in which he participates as a **shareholder** - proportionally based on the percentage of participation, or through investments made by his/her spouse, jointly or severally, or even as a **high-ranking senior manager** of a company that meets one of economic criteria below, may apply for the acquisition of the Cypriot citizenship through Naturalization by exception.
2. A high-ranking senior manager may apply, provided that he 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. In this case, the applicant must comply with the requirement to buy a residential house in the Republic market valued at least €500.000 plus VAT (if any).
3. 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. In addition, the applicant must fulfill certain **Terms and Conditions** provided further below. In the case where, following a periodic inspection, it has been ascertained that any condition is being circumvented, the Naturalization may be revoked.



1. Economic Criteria

- Investment in real estate, land development and infrastructure projects (A1)

1. 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).
2. This criterion includes investments in **developable land**, provided that the application will include investment plan for specific development. It is provided that the criterion excludes land which is integrated into zero-development zone.

The following should be noted:

- The VAT is neither included in the amount of €2,0 million for the "Direct Investments", nor in the amount of €500.000 required as a minimum purchase value of the privately-owned residence
 - The transfer duties are not included in the amount of the investment, as no other charges or taxes are.
 - The amount to be taken into consideration for the purposes of the Policy is the purchase value of the property and not its market value.
 - According to the contents of the Council of Ministers' Decision, the eligible investment is not limited to properties purchased for the first time. Re-sales are also considered as eligible investments.
- Purchase or creation or participation in Cypriot businesses or companies (A2)
 1. The applicant must have made an investment of at least **€2,0 million** in the purchase, creation or participation in **businesses or companies**, that are based and operating in the Republic. The investment funds must be used exclusively to finance the investment purposes of the said businesses or companies in Cyprus.
 2. These businesses or companies should evidently have a **tangible presence in Cyprus** (meaning that the companies or businesses in which the applicant shall invest must maintain offices in Cyprus), substantive activities, considerable turnover and **employ at least five (5) Cypriot or EU citizens**.
 3. The minimum number of employees shall be increased in the event that more than one applicant invests in the same business or company at the same, or almost the same, time. In addition, the employees must have been



legally and continuously residing to Cyprus during the 5-year period preceding the submission of the application for naturalization.

4. The creation or participation in the companies/businesses is proven by the purchase of the company's or business' shares, either existing shares, or through capital increase.
- **Investment in Alternative Investment Funds (AIFs) or financial assets of Cypriot companies or Cypriot organizations that are licensed by the Securities and Exchange Commission (CYSEC) (A3)**
 1. The applicant must purchase at least €2.0 million worth of **units in AIFs** that are established in the Republic of Cyprus, licensed and supervised by CYSEC and invest in Cyprus exclusively into investments that meet the criteria of the Scheme or in sectors approved by the Minister of Finance.
 2. In order to ensure that the investments made will be maintained for a period of **at least three (3) years**, the manager or auditor of the Fund will inform the Ministries of Interior and Finance in writing, on an annual basis, with reference to the value of the initial investment.
 3. This criterion includes also the purchase of **financial assets** of Cypriot businesses or companies for the amount of at least €2,0 million, such as bonds, securities and debentures which are issued with the permission of CYSEC, by companies which evidently have tangible presence and substantive activities in the Republic of Cyprus. The issue of the bonds, securities or debentures must be connected, exclusively, with the financing of the business' or company's investment activities in Cyprus, on the basis of a business plan which must be submitted.
 4. It is provided that the acquisition of AIF units by another AIF is not considered as eligible investment for the purposes of this criterion.
 - **Combination of the above Criteria (A4)**
 1. The applicant is allowed to make a **combination of the above investments**, provided that the total value of the investment shall be at least €2.0 million.
 2. In that respect, the applicant has the option to buy Government Bonds of the Republic of Cyprus **not exceeding** the amount of **€500.000**. The Bonds shall be issued by the Public Debt Management Office of the Ministry of Finance. The applicant must keep his/her investment in the Government Bonds for a period of at least three (3) years. The terms and conditions governing the issue of the Bonds shall be determined, from time to time, in the General and Special Terms



of Issuance of the Bonds. Investments in government bonds through the **secondary market** are not eligible for the purposes of this criterion.

2. Fundamental Terms and Conditions

Apart of the above Criteria, the applicant must fulfill the following significant terms and conditions:

- **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.

- **Residence in the Republic of Cyprus**

1. In any event and irrespective of the number of the criteria that the applicant complies with or the extent in which they are fulfilled, 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.**
2. 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.
3. It is **important to note** that the purchase value of the privately-owned residence of the applicant investor in Cyprus is not included in the minimum investment which is required for the submission of the application, but rather it is additional.
4. The Investor may also **sell his privately-owned residence** and purchase a different one of the same or higher purchase value.
5. It is Provided that the **member of the same family** that submit separate applications, have the option to jointly buy a residential property, provided that the total value of the house covers the amount of €500.000 for each individual applicant.
6. If the market value of the permanent privately-owned residence exceeds the amount of €500.000, the **balance may be utilized** for the purpose of completing the €2.0 million investment under the aforesaid Economic Criteria.



7. **Important:** It is additionally noted that, if the applicant has invested exclusively in residential unit(s) for the purposes of fulfilling the Economic Criteria and provided that at least one of them is worth at least €500.000 plus VAT, he/she shall **NOT** be obligated to buy another permanent privately-owned residence in Cyprus. Effectively, therefore, in this case his/her investment can be €2.0 million instead of €2.5 million. The permanent privately-owned residence must be kept for life (as opposed to the other investments which must be maintained for at least three (3) years).

- **Residency in Cyprus**

1. Before the applicant is naturalized, he/she must possess **residence permit** in the Republic of Cyprus.
2. If the applicant does not already have a residence permit, he may apply for permanent residency on the basis of Regulation 6 (2) of the Aliens and Immigration Law, simultaneously with the application for naturalization. In the event that the application for permanent residency is submitted solely for naturalization purposes pursuant to this Scheme, the terms and conditions of this Scheme shall apply and no additional requirements are imposed. The aforesaid prerequisites apply also to adult family members of the investor who are going to apply for Naturalization.
3. If the application for naturalization is rejected for any reason, the permanent residency which might have been acquired in accordance with the provisions of the Scheme shall be cancelled forthwith.

3. Submission of Documents

In order to examine any applications the submission of the following documentary evidence is required, together with the applicable form (M127):

- **Clean Criminal Record**

Certificate of Clean Criminal Record from the country of origin and the country of residence (if it differs). The Criminal Record must be not older than six (6) months on the date of the application.

- **Residence in the Republic of Cyprus**

- (a) Contract of Sale;



- (b) Title Deeds/Receipt for lodging the contract with the Lands and Surveys Department;
- (c) Receipts for paying the agreed purchase price;
- (d) Copy of the wire transfer **from abroad** to a Cypriot commercial banking institution in the name of the seller or the seller's company.
- (e) Valuation from an independent real estate valuer if requested by the Ministry of Finance or the Ministry of Interiors.

- **Additional requirements depending on the case**

- (a) Certificate of Registration of the company/ companies by the Registrar of Companies;
- (b) Certificate of shareholders by the Registrar of Companies or certificates evidencing that the applicant is the beneficiary owner of the company/companies;
- (c) Audited Accounts of the company (or 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 is additionally required.
- (e) If the investment is made by the applicant's spouse jointly with the applicant or severally, the marriage certificate must be submitted.

- **Other Documents**

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

4. Depending on the Type of Investment, the following are required, in addition to the documents already enlisted above:

- **Investment in real estate, land development or infrastructure projects (A1)**

- (a) Contract of sale;
- (b) Title Deeds/ Receipt for lodging the contract with the Lands and Surveys Department;
- (c) Receipts for paying the agreed purchase price;
- (d) Copy of the wire transfer **from abroad** to a Cypriot commercial banking institution in the name of the seller or the seller's company.
- (e) Valuation from an independent real estate valuer if requested by the Ministry of Finance or the Ministry of Interiors.
- (f) If the investment is made in developable land, a business plan for the development of land must be submitted.



- **Purchase or creation or participation in Cypriot businesses and companies (A2)**
 - (a) Contract of sale;
 - (b) Receipts for paying the agreed purchase price;
 - (c) Certificate of shareholders by the Registrar of Companies or certificates evidencing that the applicant is the beneficiary owner of the company/ companies;
 - (d) Copy of the wire transfer **from abroad** to a Cypriot commercial banking institution in the name of the company or the organization;
 - (e) Business plan;
 - (f) Copies of the employment contracts regarding the Cypriot and EU employees;
 - (g) Confirmation from the Social Insurance Department as to the insurable income of the Cypriot employees in the company;
 - (h) Copy of each of the Cypriot or EU employees' Social Insurance Account issued by the Social Insurance Department;
 - (i) Certificate of Registration of EU citizen (MEU1) or Certificate of Permanent Residency of EU citizen (MEU3) with regards to employees who are citizens of EU member states;
 - (j) Confirmation from the Inland Revenues Department as to the taxable income of the Cypriot employees in the companies or businesses that the applicant invested in.

- **Investment in Alternative Investment Funds (AIFs) or financial assets of Cypriot companies or Cypriot organizations that are licensed by the Securities and Exchange Commission (CYSEC) (A3)**
 - (a) Title(s) and other documents relating to the financial assets;
 - (b) Wire transfer from abroad to a Cypriot commercial banking institution in the name of the company or the organization;
 - (c) Business plan;
 - (d) Certificate of the Cyprus Securities and Exchange Commission.

- **Combination of Investments - Investing in Government bonds (A4)**
 - (a) Receipt from the Public Debt Management Office of the Ministry of Finance evidencing the purchase of the Government bonds;
 - (b) Wire transfer from abroad to the account of the Treasury of the Republic of Cyprus.

GUIDELINES FOR INVESTORS

The examination procedure begins upon the submission, at the Ministry of Interior, of the prescribed application Form (M127) and the payment of the amount of **€2.000,00 examination fee**. Together with the application, the following **original documents must be submitted** (unless otherwise provided), along with a photocopy of all the documents:

- Letter by the applicant or by the representative of the applicant, in which the investment and criterion, under which the application is submitted, are briefly explained.
- Application Form M127 fully completed and signed before a Registrar of a Cypriot court or a consular officer
- Birth Certificate
- Copy of passport
- Certificate of criminal record from the country of origin, as well as the country of residence (if it differs) of the applicant
- Marriage Certificate
- Copies of advertisements in a daily newspaper two consecutive posts
- Two passport size photographs
- Curriculum Vitae
- Documents concerning the permanent privately-owned residence of the applicant in Cyprus, as have been described above.
- If the applicant is a high-ranking senior manager the following documents should, also, be submitted:
 - (1) *Copy of the employment contract*
 - (2) *Copy of the receipt by the Inland Revenue Department*
- Documents evidencing the investments of the applicant in the Republic as have been described above.

Useful and Important Notes

- The original application (M127) and all the required documents original documents are to be submitted at the Ministry of Interior. Along with the original application and documents, an additional photocopy of the application and all the documents should also be submitted.
- All the documents issued by a foreign authority should be translated to either Greek or English and be duly authenticated (They should bear the stamp «**APOSTILE**», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country).



- The spouse or cohabitant of the non-Cypriot investor has the right to apply for the citizenship simultaneously with the investor. For further information see the “Investors’ Family Members” section which follow.

Examination procedure of an Application

Once an application is submitted the examination process is triggered. Briefly, the documents relating to the business activities and investments of the applicant in Cyprus are sent to the Ministry of Finance for evaluation and views on whether the applicant indeed meets any of the criteria established by the Council of Ministers. Simultaneously, the Ministry of Interior investigates whether the applicant meets the other conditions of the abovementioned Decision of the Council of Ministers. If the applicant meets the Criteria and Conditions of the Decision, the Minister of Interior presents the case to the Council of Ministers for final decision. Once the application is approved, the Civil Registry and Migration Department issues the Certificate of Naturalization, following payment of the amount of **€5.000 that constitutes the Naturalization Certificate issuing fee.**

Provided that such an application is dully submitted and accompanied by all the necessary supporting documents and the investor meets the criteria and conditions of the Decision of the Council of Ministers, **the time frame for the completion of the process is approximately 3-4 months.** However, the time required for the application to be processed and completed is not in our control. It should be noted that the application submission date is the date on which the submission fees were paid that is noted on the receipt issued by the Cashier’s Office of the Ministry.

FAMILY MEMBERS

1. Legal Framework

The Decision of the Council of Ministers provides for the grant of the Cypriot citizenship to the spouse, the cohabitant, the parents as well as to the financially dependent adult children (eighteen years old or above) of the investor. Neither the spouse or the cohabitant nor the children are obliged to meet any financial criteria.

1. The husband, wife, cohabitant, parents and any financially independent children over the age of 18 of the businessman/ investor, who had acquired Cypriot citizenship pursuant to this Scheme, may also acquire the Cypriot citizenship, provided they shall apply to the Minister of Interior in the prescribed manner (M127). The term “cohabitant” has the meaning ascribed to it by the Civil Cohabitation Law, 184(I)/2015.



2. The application of the Investor and the application for the naturalization of his/her spouse or cohabitant may be submitted simultaneously. The parents and the financially dependent adult children of the Applicant/Investor shall be entitled to apply for citizenship, only after the naturalization procedure of the Applicant/Investor has been successfully completed.

3. It is clarified that:

3.1. The parents of the Investor must acquire 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 provided that the Investor and his/her parents may jointly purchase the residence, provided that its total value shall be at least €1.000.000 plus VAT.

3.2. The financially dependent adults are defined as follows:

(a) Students up to the age of 28 who study at an institution of higher education and attend a full-time program aiming to obtain an undergraduate degree, such as certificate, diploma, higher diploma, Bachelor's or Master's degree. Foundation courses fall under this definition provided they last for no more than two six-month semesters. Any studies or courses connected with the acquisition of professional titles, such as Certified/Charter Accountant, Barrister etc., are not included.

(b) Persons whose mental or physical handicap renders them incapable to exercise any kind of job.

4. Any applications that have been submitted on the basis of the previous Scheme shall continue to be valid and run based on the terms and conditions provided therein. However, any applicants who wish to reapply under the terms of this new Scheme, has to withdraw their pending application first.

It is **important to note** that the two Schemes shall coexist and apply until the 31st October 2016, whereupon the old Scheme shall cease to apply and be replaced by the new Scheme.



2. Submission of an Application

Investor's Spouse or Cohabitant

The application is submitted to the Ministry of Interior, where the amount of €2.000 is paid as fees. The application can be submitted along with the application of the Investor and the Cypriot citizenship may be obtained simultaneously. Together with the application, the following **original documents must be submitted** (unless otherwise provided), along with a photocopy of all the documents:

- Application Form M127 fully completed and signed before a Registrar of a Cypriot court or a consular officer;
- Copy of the investor's Certificate of Naturalization (if the application is not submitted simultaneously with the investor);
- Copy of the investor's Cypriot passport (if the application is not submitted simultaneously with the investor);
- Birth Certificate;
- Copy of passport;
- Certificate of criminal record from the country of origin, as well as the country of residence (if it differs) of the applicant;
- Marriage Certificate;
- Copies of advertisements in a daily newspaper two consecutive posts;
- Two passport size photographs;
- Curriculum Vitae.

Useful and Important Notes

- The original application (M127) and all the required documents original documents are to be submitted at the Ministry of Interior. Along with the original application and documents, an additional photocopy of the application and all the documents should also be submitted.
- All the documents issued by a foreign authority should be translated to either Greek or English and be duly authenticated (They should bear the stamp «**APOSTILE**», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country).

Once the application is approved, the amount of €5.000 (Naturalization Certificate fees) must be paid.



Investor's adult children (eighteen years old or above)

The application is submitted to the Ministry of Interior, after the investor had acquired the Cypriot citizenship. The amount of €2.000 has to be paid as fees. The list of the necessary documents is as follows (originals, unless otherwise provided):

- Application Form M127 fully completed and signed before a Registrar of a Cypriot court or a consular officer;
- Copy of the investor's Certificate of Naturalization;
- Copy of the investor's Cypriot passport;
- Birth Certificate;
- Copy of the applicant's passport;
- Certificate of criminal record from the country of origin, as well as the country of residence (if it differs) of the applicant;
- Marriage Certificate (if applicable);
- Copies of advertisements in a daily newspaper two consecutive posts;
- Two passport size photographs;
- Curriculum Vitae;
- Copy of the undergraduate degree (if the applicant studies for a master's degree);
- Certificate of attendance at a Higher Education Institute (Original), or
- Medical Certificate attesting the disability (Original).

Useful and Important Notes

- The original application (M127) and all the required documents original documents are to be submitted at the Ministry of Interior. Along with the original application and documents, an additional photocopy of the application and all the documents should also be submitted.
- All the documents issued by a foreign authority should be translated to either Greek or English and be duly authenticated (They should bear the stamp «APOSTILE», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country).

Once the application is approved, the amount of €5.000 (Naturalization Certificate fees) must be paid.



Investor's minor children (under the age of eighteen)

The application is submitted after the investor had acquired the Cypriot citizenship to the Civil Registry and Migration Department, where it is also processed. The list of the necessary documents is as follows (originals, unless otherwise provided):

- Application Form M126 fully completed and signed by the parent before a Registrar of a Cypriot court or a consular officer;
- Copy of the investor's Certificate of Naturalization;
- Child's Birth Certificate;
- Parent's marriage certificate;
- Copies of the child's and parents' passports;
- Certificate of criminal record from the country of residence of the applicant (if applicable);
- Written Consent of the non-Cypriot parent;
- Two passport size photographs;
- €80 as fees.

Useful and Important Note

All the documents issued by a foreign authority should be translated into either Greek or English and be duly authenticated (They should bear the stamp «**APOSTILE**», if they are issued by countries that have signed the Hague Convention, otherwise they should be sealed by the Ministry of Foreign Affairs of the issuing country and the diplomatic mission of the Republic of Cyprus in the issuing country).

CLARIFICATIONS on questions which we usually receive from clients

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

Approximately 3-4 months. However, the time frame totally depends on the work load of the governmental departments that examine the applications. From our end, we assure our clients that we do everything possible for the expedition of the examination procedures.

What is the amount of the fees payable for each application?

Concerning the investor the amount of €2.000 is paid at the submission of the application and, if the application is approved, the amount of €5.000 is paid as a fee for the issuance of the Naturalization Certificate.

Concerning the investor's spouse the amount of €2.000 is also paid at the submission of the application and, if the application is approved, the amount of €5.000 is paid as a fee for the issuance of the Naturalization Certificate.



Concerning the investor’s adult child the amount of €2.000 is also paid at the submission of the application and, if the application is approved, the amount of €5.000 is paid as a fee for the issuance of the Naturalization Certificate.

Concerning the investor’s minor child the amount of €80 is paid at the submission of the application.

In summary the fees are as follows:

<u>Applicant</u>	<u>Application Submission Fee</u>	<u>Certificate Issuance Fee</u>	<u>Total</u>
Investor	€2.000	€5.000	€7.000
Investor’s Spouse	€2.000	€5.000	€7.000
Investor’s Adult Child	€2.000	€5.000	€7.000
Investor’s Minor Child	€80	-	€80

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.

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.

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 2016, the investment must have been concluded during the period 2013 – 2016.



Is the Investor allowed to mortgage a property that he/she acquired in Cyprus for the purposes of raising a loan?

In principle, the Council of Ministers will not accept applications for the purposes of which the applicant has invested in real estate, land development and/or infrastructure projects that the applicant, either before or after the submission of the application, used as collateral to raise a loan, the funds of which has or will be invested outside the Republic of Cyprus. It is advisable that such cases are referred to the competent Ministries for consultation.